Budget Transparency in Afghanistan: A Pathway to Building Public Trust in the State

Nematullah Bizhan, Australian National University
BUDGET TRANSPARENCY IN AFGHANISTAN: A PATHWAY TO BUILDING PUBLIC TRUST IN THE STATE

By Nematullah Bizhan

Introduction

This paper discusses major improvements in government budget transparency and public engagement in Afghanistan, presenting an analysis of the roles of the following actors in the trend toward more open budgeting: 1) the International Budget Partnership (IBP), foreign donors, civil society organizations (CSOs), and the media; 2) the government; and 3) the legislature. The paper discusses background information going back to 2001; however, the empirical analysis focuses on the period from 2008 to 2011.

While it is necessary to recognize the contribution of various actors – pressure from donors, limited but effective CSO and media anti-corruption campaigns, the commitment of the leadership of the Ministry of Finance, and the availability of international technical assistance – the IBP’s contribution was uniquely valuable because it allowed progress on budget transparency in Afghanistan to be monitored. In 2008, using its Open Budget Survey and the associated Open Budget Index (OBI), the IBP established a baseline from which progress in budget transparency could be measured.

The Open Budget Survey, launched in 2006, is the only independent, comparative, and regular assessment of government budget transparency and accountability around the world (the 2012 round included 100 countries). Produced every two years in collaboration with civil society researchers in the countries covered, the Survey assesses how much timely and useful budget information governments make publicly available, and how accountable budget systems are in terms of the strength of official oversight institutions and levels of public participation. In order to easily measure the overall commitment of governments to transparency and to allow for comparisons among countries, the IBP calculates the Open Budget Index from a subset of Survey questions on the public availability and comprehensiveness of budget information throughout the budget cycle. Each country included in the Survey receives an OBI score between zero (for the least transparent) and 100 (for the most transparent).

This paper argues that by increasing its OBI score from 8 in 2008 to 21 in 2010, Afghanistan has made important progress. While further improvements are likely to be documented in the Open Budget Survey 2012, however, Afghanistan’s OBI 2010 score indicates that the country remains below average. Put simply the government still only shares minimal budget information with the public, hampering the ability of civil society and citizens to understand the government’s plans for using public resources to address public needs or to effectively participate in decision making and

---

1 Nematullah Bizhan is a doctoral fellow at the Australian National University. He has served in different capacities with the government and international development and civil society organizations in Afghanistan. He has contributed to Afghanistan’s post-2001 development efforts as director general for Policy, Monitoring, and Evaluation of the Afghanistan National Development Strategy, head of the Joint Coordination and Monitoring Board Secretariat, Deputy Minister for Youth, as well as leading the “Development Budget” at the Ministry of Finance. The researcher thanks the interviewees who kindly participated in this project and provided their valuable insights. The views expressed in this paper, however, are those of the researcher, not the interviewees.
oversight. But donors, CSOs, and to some extent the media are putting increasing pressure on the government to improve its Public Financial Management (PFM) system.

While evidence indicates that Afghanistan has the potential to further improve its budget transparency, the structure of the budget itself may prove to be a stumbling block. Because it provides limited information on aid flows into Afghanistan, the budget is not a true reflection of where the country’s money is being spent. Furthermore, the country’s dependence on donor funding and international technical assistance means that improvements in budget transparency may not be sustainable in the long run. While political actors will remain the backbone of the process, a pragmatic and holistic approach that includes a legal and institutional framework (e.g., a Freedom of Information law, adequate institutional oversight authority and capacity, and broad engagement of civil society and the public) would be required for budget transparency to become an instrument for confidence building in the Afghan state.

Context: Budgets in Afghanistan

Afghanistan is one of the poorest countries in the world, with a poverty rate of 36 percent and an unemployment rate of around 40 percent at its highest level. The country also suffers from widespread corruption, including the embezzlement of public resources, domestic revenue, and foreign aid. According to Transparency International (TI), after Myanmar, North Korea, and Somalia, Afghanistan is ranked as the most corrupt country in the world.

This state of affairs highlights the importance of budget transparency in Afghanistan. By making budgetary information available for scrutiny by the public and stakeholders outside the country, the government will foster the trust of donors and the public. Despite the stated emphasis on transparency in the allocation and spending of public money, the way the government grants project contracts and the way it monitors implementation on the ground are less transparent. This situation is compounded by the fact that domestic revenue is not collected transparently. The OBI 2008 found that the Afghan government was sharing very little budgetary information with the public. This finding challenged the government and pressured it into taking immediate steps to make key budgetary information publicly available.

Before examining the current level of budget transparency and public engagement, it is necessary to briefly consider the history of budgetary processes in Afghanistan. Afghanistan first adopted a budget in the modern sense to reflect its revenue and expenditure in 1922. But dramatic political changes such as the deposition of King Amanuallah Kahn’s reformist regime in 1929 and a lack of...
political will in the coming decades limited the budget’s scope as an instrument of transparent public policy implementation. An armed conflict that followed the Soviet invasion of Afghanistan in 1979 seriously eroded the already weak public institutions. Prior to 2001 the long-term impact of the conflict left the country without precise planning or budgeting procedures. Government expenditure exceeded domestic revenue, and the state treasury was used largely to support the war and its commanders. Historically the government’s institutional capacity with regard to public finance management and transparency was weak, and various local actors were not obliged to report properly and account for the use of public money. In addition there was no information technology infrastructure and government departments did not use computers; even the Ministry of Finance did its calculations manually. Bureaucrats treated budget documents as mahram (secret) information.

After the collapse of the Taliban regime in 2001, a significant amount of foreign aid — the result of the Bonn Agreement of 2001 and the new political setting — flowed into the country to fund reconstruction and stabilization efforts. The government, hoping to earn the trust of the international community and to reignite public confidence in the Afghan state, introduced a number of reforms in the area of public financial management. The primary motivation behind these reforms was to assure donors that their aid money would be channeled through a credible budget system. The government further hoped to differentiate itself from former regimes that had kept the budget a secret and based expenditure on political agendas and the self-interest of public officials.

The government initiated the below reforms in an attempt to establish a functioning PFM system included:

- a policy of zero-deficit funding of the budget;
- centralized revenue collection, budget allocation, and reporting;
- identification of the actual number of government employees;
- establishing a donor assistance database;
- a new approach to infrastructure provision, including feasibility studies for infrastructure projects and the privatization of state-owned enterprises;
- outsourcing government procurement to an international company, Crowns Agent, to manage infrastructure project procurement (the establishment of an independent procurement unit called Afghanistan Reconstruction and Development Services under the Ministry of Economy in 2003 followed);
- adopting a new Public Financial Management Law;
- adopting a policy of provision of equal opportunity across the county; and

---

8 See Riasate Omomi Adarai Amor Wa Darulanshai Shorai Waziran (Office of Administrative Affairs and Cabinet Secretariat), “Dast Award Hai Omdai Hokomat Dar Haft Sali Gozashta Wa Barnama Hai Panj Sali Ainda (The Last Seven Years Government Achievements and the Next Five Years Programs)” (Kabul: Edari Nizarat Wa Arziabi, 1388 [2009]), p. 146.


10 Naveed Bakhshi, interview by author, December 2011, see Annex I.


12 Interviews by author, see Annex I. Also see Ghani and Lockhart (2008), p. 138.
• reporting on fiscal conditions of the country to the Cabinet on a regular basis and to the public on ad hoc basis through media and the Ministry of Finance’s website.\textsuperscript{13}

These reforms were accompanied by the restructuring of the budget department, the advertisement of budget-related positions in the Ministry of Finance, and investment in information technology infrastructure of the Ministry. The line ministries involved in the budget process were also trained to improve the functioning of the system.

Despite these reforms, however, budget transparency was not approached in a systematic manner, and there were no universal indicators against which to measure budget transparency. Although the enacted budget, mid-year budget review, and information about donors were made available online through the Ministry of Finance’s website, the content and format of these documents changed regularly, and there were no standards for the quality of the content and no firm deadlines about when the information should be posted.

The budget department also embarked on a process of raising budget awareness among CSOs at the provincial level. An important initiative launched in 2004 when the first Civil Society and Budget National Conference was held in Kabul. Additionally the first Public Financial Report was prepared and first made public in 2004. The follow up on these initiatives, however, was poor.\textsuperscript{14} When the new parliament was established in 2005, it stipulated that budgetary information must be shared with members of parliament prior to budget hearings. Unfortunately the capacity of the parliament to conduct in-depth analyses of the budget was limited. The convening of the new parliament in January 2011, however, led to improvements in the content of the budget documents as well as their availability in local languages.

The government of Afghanistan is highly dependent on foreign aid. For example from 2009 to 2010, foreign aid financed the entire development budget and 40 percent of the operating budget.\textsuperscript{15} The aid-to-gross domestic product (GDP) ratio rose significantly from 45 percent in 2009 to 2010 to 71 percent from 2010 to 2011, making Afghanistan more dependent on aid than any other country in the world.\textsuperscript{16} While the budget became a central tool for realizing national policies, it does not include all of the aid flows to the country because a large portion of aid is channeled through an “off-budget” system over which the Afghan government and legislature have no control or oversight.\textsuperscript{17} For example between 2001 and 2010 only US$10 billion out of a total US$65 billion of foreign assistance was channeled through the budget; the rest went directly from donors to implementing agencies through parallel mechanisms.\textsuperscript{18} Donors justified the use of “off-budget” mechanisms by pointing to the limited capacity of the government, to incidences of corruption, and to the fact that most of this spending was allocated to the security sector.


\textsuperscript{14} Personal video recording of the Civil Society and Budget National Conference, Kabul, Afghanistan, 2004.

\textsuperscript{15} Ministry of Finance of Afghanistan, as well as the researcher calculation.


\textsuperscript{17} Sediq Ahmad Osmani, interview by author, December 2011, see Annex I.

The emergence of budget transparency as a policy priority

Prior to 2008 the efforts to reform the budget system in Afghanistan largely focused on internal documentation, improving fiduciary controls, and making data available to donors and those responsible for making decisions about the country. Very little attention was paid to whether or not budget documents were accessible to the public. Even international financial institutions paid more attention to the fiduciary controls of the financial system than to whether or not the public had access to budget documents or were able to engage in the budget process. The Open Budget Survey 2008 evaluation of budget transparency in Afghanistan found that the Afghan government was providing the public with “scant” information on its budget documents during the year. This situation, along with most aid being off-budget, made it difficult for Afghan citizens to hold the government to account with regard to how it manages public funds. While the Ministry of Finance was producing most of the necessary budgetary documents, it was not making all of them public. As the Deputy Minister of Finance, Mustafa Mastoor, put it: “Previously, we did not publish these documents although we had them available, because we were not aware of the international budget … [transparency measures].”

Of the eight key budget documents that should have been made public according to international good practice, only four were published on the Ministry of Finance’s website: the Enacted Budget, the Mid-Year Review, the Year-End Report, and the In-Year Reports. One of the most important documents — the Executive’s Budget Proposal, which contains the government’s plans for raising and spending public funds for the upcoming year — was not made public. According to international good practice the proposed budget should have been made available to the legislature and to the public at least three months before the start of the budget year, allowing sufficient time for review and public debate. While Afghanistan was publishing In-Year Reports and a Mid-Year Review, these documents were not comprehensive enough to provide an adequate update on how the budget was being implemented during the year. Similarly, while the government was producing a Year-End Report, it did not contain enough information for a comparison between what was budgeted and what was actually collected and spent during the year. Finally, because the Audit Report was not published, civil society and the broader public did not have access to information on whether measures to address problems identified in the audit were implemented successfully.

Overall, the Open Budget Survey 2008 found that access to detailed budget information was limited. Compounding a lack of consolidated provincial budgets, the national budget lacks details aside from overall allocations and expenditure – on projects at the provincial and district levels. Moreover, Afghanistan has not yet codified into law the right of access to information, which means that access to information depends entirely on the discretion of government officials, who are not legally obliged to provide it.

23 Interviews by author, see Annex I.
Though there is limited awareness among the public about the budget process and because there is little available information on provincial budgeting, it is difficult for citizens to perform any kind of budget tracking — to monitor, for example, the money allocated to building a school or clinic — or to hold the local government accountable.\footnote{Interviews by author, see Annex I; Islamic Republic of Afghanistan, “National Budget 1387-8 Mid Year Review(s),” (Kabul: Afghanistan Ministry of Finance, 1387-8 [2008-2009]).} Additionally, because the Audit Report is inadequate and focuses mainly on the central government, it is difficult to foster a culture of accountability at the local level, where the real implementation happens.\footnote{Interviews by author, see Annex I; and document analysis.}

Donors and international financial institutions exerted pressure on the Afghan government to make the budget more transparent when it became clear that corruption was endemic in the country.\footnote{Donors were mostly using the international platforms on Afghanistan, such as the Kabul International Conference (June 2010) and the Bonn International Conference (December 2011), calling on the government to take firm measures against corruption.} To a lesser degree, the media and CSOs also criticized the government for its failure to tackle corruption and for its lack of transparency.

Following the publication of the 2008 Survey Afghanistan took measures to improve its transparency that helped to lift its OBI score from 8 in 2008 to 21 in 2010. This improvement can be largely attributed to the fact that the government started publishing more comprehensive In-Year Reports and a Mid-Year Review. The government also made public the Audit Report, which had previously been distributed for internal use only.

The government not only made more documents publicly available but also improved the reports that it had already been releasing. For example, a section on pro-poor spending was added to the budget statement, analytical narratives were included in the In-Year Reports, and most of the documents that previously had been published only in English and one national language were now published in English and both national languages (Dari and Pashtu). While the government certainly made improvements, however, it was still providing the public with only minimal information on the central budget and financial activities, making it difficult for the public to participate in policy decisions and oversight.\footnote{International Budget Partnership, “The Open Budget Survey 2010,” International Budget Partnership, 2010, available at: http://internationalbudget.org/what-we-do/open-budget_survey/full_report/.}

The government of Afghanistan was not the only party that took note of the OBI. Major international donors saw the OBI as an important tool for providing a baseline from which to measure progress on increasing budget transparency. This consensus about the importance of the OBI measure resulted in a shift in government budget policy in 2010.\footnote{Islamic Republic of Afghanistan, “Communique, the Kabul Process, Afghanistan National Development Strategy Prioritization and Implementation Plan (Mid 2010-Mid 2013),” Ministry of Finance (Kabul: Department of Policy, 20 July 2010), p. 3-4.} At the Kabul International Conference in June 2010, the government drew up the Public Financial Management (PFM) Roadmap, which was subsequently endorsed by its international partners. The roadmap focused on “strengthening the budget in driving effective delivery of key priority outcomes; improving budget execution; and increasing accountability and transparency.”\footnote{Government of Afghanistan, “Public Financial Management (PFM) Roadmap,” (Kabul: Afghanistan Ministry of Finance, 14 July 2010), p 3.} The government also drew up an action plan to improve its OBI score to 30 by June 2011.\footnote{Government of Afghanistan, “Public Financial Management (PFM) Roadmap,” p. 3.}
2011 indicated that the government was on track to reach this target; their score on the 2012 Open Budget Survey was 59. In 2011 the government also drafted a Citizens Budget and made it public. Despite these improvements, however, there is still a large gap in the public availability of detailed information about provincial budget allocations.

These improvements in budget transparency were isolated from other national and local initiatives. Little linkage has been made between budget transparency and the effective management of projects on the ground. Furthermore, four-fifths of foreign aid to Afghanistan between 2002 and 2010 was channeled through “off-budget” mechanisms, minimizing the impact of the budget transparency measures. While concern over corruption made donors put pressure on the government to make the budget more transparent, the measures that the government took to improve its OBI score have remained largely disconnected from anti-corruption measures. Without political will and targeted administrative measures, budget transparency on its own will do little to tackle corruption, particularly if there is no transparency around the considerable amount of resources that are managed “off-budget.” Furthermore, it is important to note that while the government makes budget information available through the Ministry of Finance website, only a small percentage of Afghans are literate (28 percent) and very few have access to the Internet. To bridge this divide, the government should consider printing budget documents and distributing them to public libraries and universities, as well as alternative means of communication, such as audio and visual media.

**Why transparency improved**

The improvement in budget transparency in Afghanistan since 2008 can be attributed to interrelated actors and factors. These include:

- the adoption of fundamental structural and policy reforms by the Finance Ministry post-2001 that provided preconditions to improve budget transparency in subsequent years;
- the commitment of the leadership of the Ministry of Finance (particularly on the part of the Deputy Finance Minister and the Director General of the budget after 2008);
- the availability of budget documents that the government was already producing that simply needed to be made public;
- a desire on the part of the government to improve its international image;
- technical assistance provided by donor organizations;
- international pressure; and
- small but effective campaigns by CSOs and the media.

The Open Budget Survey 2008 established a framework for a pragmatic analysis of the impact of budget transparency measures in Afghanistan. It established a baseline and made it possible to

---


36 Faramarz, “Afghanistan More Open About Finances”; and Yama Torabi, interview.

monitor progress. But had the country been informed prior to 2008 about the standards for transparency as measured by the Survey, while the budget was undergoing a series of reforms, it would have performed even better.

The IBP’s Open Budget Initiative included Afghanistan in its Survey for the first time in 2008. The initial point of entry was an email exchange between the IBP and the Afghan Ministry of Finance. After the release of the 2008 Survey the IBP and its local partner Integrity Watch Afghanistan (IWA) held follow-up meetings with the Deputy Minister of Finance, the Director General of the budget, fiscal policy unit staff, and other relevant departments at the Ministry of Finance.38 These meetings revolved around discussions on budget transparency, particularly in relation to the OBI indices. A liaison at the Ministry of Finance noted “as OBI mainly talks about availability of the budget documents to the public, I think OBI helped us improve our system and keep things open to the public… we were producing budget documents and fiscal reports, but we did not know what value they add to our country and its reputation.”39

These interactions made the Ministry of Finance aware of the OBI and the ranking system on which it is predicated, as well as the global trend toward budget transparency. The Deputy Finance Minister, at a policy level, and the Director General of the budget, at a technical level, responded positively to the inclusion of Afghanistan in the Open Budget Survey. IWA established a relationship with the Ministry of Finance that allowed them to engage in ongoing discussions about budget transparency and public engagement.

Despite the fact that the Ministry of Finance had a reputation for being a transparent institution, the Survey found that it shared little information about the budget with the public. The government, which was surprised by this outcome, was concerned about the image that this would present to donors and the public. Because the Survey provided a simple and easy strategy for improving budget transparency, as well as a means of assessing progress, the government took note of the OBI indices and put measures in place to improve its ranking. These measures included identifying the budget documents it should be publishing and the key deadlines for making them public, improving the content of these documents (as discussed above), establishing an internal monitoring process through the PFM Roadmap, assigning a liaison to communicate with the Open Budget Initiative, and reporting regularly to the committee of ministers and the Joint Coordination and Monitoring Board (JCMB) — a high-level board that includes donors — and the government through the National Priority Programme’s (NPP) quarterly updates.

The ministry also began an ongoing process of raising awareness about the budget among CSOs by holding workshops and by including these organizations in budget preparation. At the request of the United Nations Assistance Mission in Afghanistan (UNAMA) and the Ministry of Finance, two CSO representatives began attending the government policy and budget meetings. While this was a step in the right direction, the CSO representatives claimed that they were not able to access pertinent information prior to the meetings and that, although their views were welcomed, there has been no indication that they had been taken into account when policy and budget decisions were made.40 It could be argued that the inclusion of the CSO representatives was more a gesture of goodwill than a serious attempt to involve civil society in the decision-making process. The

---

38 According to the structure of the Ministry of Finance, the Deputy Ministry of Finance is in charge of the national budget, treasury, and aid management.
39 Niaz Shinwari, interview by author, December 2011.
40 M. Said Niazi, interview by author, November 2011.
government still needs to establish a legitimate channel for public engagement in the formal budget process.

In the meantime a limited number of CSOs and Open Budget Initiative researchers were engaging with the Ministry of Finance on budget-related issues, publishing their analyses of the budget, and organizing public awareness campaigns that incorporated meetings and workshops. For example IWA organized workshops in Herat for 80 local monitors who were tracking the budget at a grassroots level, and also trained between 30 and 40 local public officials. But the public – and CSOs in particular – still seem to have limited knowledge of the budget. For this situation to change will require time and an investment of considerable energy in promoting active participation in the budget process.

Many CSOs have broad mandates and – with the exception of those like IWA that have a mandate focused on transparency and accountability – most have paid little attention to the budget process. Alongside IWA, which through its media campaign had some impact on the government’s decision to reform budget practices, there are a number of newly established CSOs with similarly focused mandates. These include the Coalition of Afghans for Transparency, which focuses on promoting accountability and transparency with regard to public resources; the Afghanistan Development Advocacy Network, which promotes effective development and meritocracy; and the Afghan Network for Anti Corruption, which concentrates on anti-corruption measures. Most of these CSOs, however, have limited resources and thus limited capacity to carry out countrywide public awareness campaigns; their efforts to date have focused on a few major urban centers.

Local and international media attention, while limited, has also put some pressure on the government to become more transparent. The Afghan media, which is still very young, has had a positive impact by demanding budgetary information and by focusing on corruption cases. The government, which has a fear of being portrayed negatively in the media lest it lose public support in insurgent strongholds, has been forced to share information on its performance and the budget. Pressure from the local media, however, lacks consistency and professionalism due to its limited capacity and insufficient knowledge of the budgetary process.

Major donors and international financial institutions also recognized the country’s OBI scores as an indicator of success in measuring budget transparency in Afghanistan. In 2010 donors committed

41 Yama Torabi, interview.
42 Interviews by author, see Annex I.
43 Gender Equality Platform and Equality for Peace and Democracy, “Equality for Peace and Democracy Calling out for Transparency and Accountability of Public Resources and Mainstreaming Gender through Joint Platform of Civil Society, Parliament and Government,” (Kabul no date); and Afghanistan Development Advocacy Network (ADAN), “Position Paper to NATO Summit on Afghanistan 20-21 May 2012,” (Kabul, 2012). Many political parties, old and new, also call for accountability and transparency from the government. However, they themselves are not accountable when it comes to reporting on their income and activities to the public. There might be more CSOs with a focused agenda on transparency and accountability, which this paper could not highlight; however, further research should reveal their activities and impacts in the area of transparency and accountability.
44 Interviews by author, see Annex I.
45 The emphasis at the Kabul International Conference (July 2010) was for the Afghan government to take firm anti-corruption measures. The PFM Roadmap (July 2010), which was endorsed by donors, highlighted the OBI as a successful means of assessing budget transparency in Afghanistan. See Islamic Republic of Afghanistan, “Communique, the Kabul Process, Afghanistan National Development Strategy Prioritization and Implementation Plan (Mid 2010-Mid 2013),” (Kabul: Afghanistan Ministry of Finance, 2010), p. 4; and Government of Afghanistan, “Public Financial Management (PFM) Roadmap,” p. 3.
to channeling up to 50 percent of their funds through the budget on the condition that the government make its budget more transparent as measured by the OBI, and that it increase its spending capacity. In turn the government committed to drawing up a credible development plan, increasing its budget capacity, and improving transparency with the intermediate goal of scoring 30 in the OBI by June 2011.\(^\text{46}\)

Donors such as the United States Agency for International Development (USAID), the U.K. Department for International Development (DfID), and the United Nations Development Programme (UNDP) have been supporting improvements to the budget process in Afghanistan by providing technical assistance to the budget department of the Ministry of Finance. Though they did not highlight budget transparency as a prerequisite for their assistance, the issue has been indirectly addressed through their support projects.\(^\text{47}\) In some cases, such as a DfID-funded project through Adam Smith International (ASI), advisors have provided direct support in improving transparency measures by helping the budget department to draft budget documents and amend existing documents. Additionally a USAID project (Afghanistan Parliamentary Assistance Project [APAP]) that provides technical assistance to the legislature by working closely with the parliament’s budget and economic committee has been using OBI indices as best international practice for their analyses and briefings to MPs.\(^\text{48}\) One of the APAP coordinators asserts that “although in some cases we have mentioned OBI and IBP’s name to the parliament, but still most of the MPs are not familiar to it, as OBI reports are mainly related to the work area of the economic and budget committees of the parliament and in some cases we have used the ‘word’ of best practices or international standards without taking specific name of the IBP while explaining some budgetary issues.”\(^\text{49}\)

**Explaining the impact**

A reformed and restructured Ministry of Finance, including its budget department and the budget system, has paved the way for improved budget transparency. It is important to note, however, that the ministry is still dependent on donors for technical assistance. The Ministry of Finance receives more technical assistance than any other Afghan civil state institution; without this assistance, the improvements may not be sustainable.\(^\text{50}\)

Donors want to know that aid money is being spent responsibly and have been demanding more transparency regarding “on-budget” allocations and expenditures. This shift has had a positive impact on strengthening “on-budget” transparency, as demonstrated by the OBI and a 2008 assessment that documented a significant improvement in Afghanistan’s PFM system between 2005 and 2007.\(^\text{51}\) This donor demand for transparency, however, has not been applied to “off-budget” allocations. Donors have paid little attention to increasing transparency among projects that receive funds directly and bypass the national budget process. A recent IWA report suggests that “off-budget” transactions are less transparent than “on-budget” ones, and that donors share less than 35 percent of the information on their activities within the country with the Afghan people and

\(^{46}\) Government of Afghanistan, “Public Financial Management (PFM) Roadmap,” p. 3.

\(^{47}\) Jeremiah S. Pam, interview by author, 25 November 2011, see Annex I.

\(^{48}\) Muhibullah Rahimi, interview by author, 25 January 2012, see Annex I.

\(^{49}\) Muhibullah Rahimi, interview.


\(^{51}\) Ishihara et al., p. 3.
government. The report also claims that donors do not share project documents, which makes oversight of the projects through public engagement difficult, undermining the principles of transparency. Donors argue that a lack of security and the vulnerability of their projects to insurgent attacks keep them from making public all of their information. CSOs and communities would like to be able to access some of the less sensitive information, however, so that they can hold the government and contractors to account.

While external pressure may have prompted the Afghan government to take steps to make the budget more transparent, the government also had its own reasons for doing so. In the past the legacy of conflict in the country, particularly as it related to the misappropriation of public funds, seriously undermined the legitimacy of the government. There was, therefore, a strong incentive for the post-2001 government to use the budget as a tool to gain public trust and build confidence in the country. Two sets of officials played an important role in making this change possible. The first was a group of dedicated individuals at the decision-making level; chief among these was the former Minister of Finance, Ashraf Ghani, the main driver behind PFM reforms. The second group consisted of an emerging class of young Afghan professionals, particularly in the budget department, who were recruited by a joint panel of members of the Ministry of Finance and the UNDP using a competitive process. These individuals have contributed significantly to ensuring that the ministry was moving in the right direction.

Some credit for improved budget transparency must also go to the legislature — which is rather new and not particularly experienced — for asking pertinent questions in parliamentary budget hearings. Questions that focused on such issues as “why the budget of one ministry or province is higher than the other one” led the ministry to prepare a more detailed budget to justify its answers. But while MPs were interested in the budget at a provincial level, they paid little attention to national priorities. Unfortunately individual MPs often also forfeited budget transparency when they were able to directly deal with the executive to lobby for resources for their own constituencies.

MPs also have a limited role in resource allocation because most of the agreements are reached between the executive and the country’s donors. In addition the information that MPs receive on expenditures lacks the necessary details for further oversight and scrutiny. For example the reports include overall allocations and expenditures of projects but no disaggregated data, making it difficult for the legislature to examine failures and hold the responsible agencies accountable. Instead they are relegated to making generalized critical statements.

The IBP’s Open Budget Initiative and its local partner, IWA, contributed to improved budget transparency in Afghanistan by introducing universally applicable indicators and by focusing on improving and publicizing budget documents. This contribution was unique in that the Open Budget Survey and OBI established a baseline for transparency in Afghanistan and made it possible to monitor progress on increasing budget transparency. But while the government has acted on the

---

53 Yama Torabi, interview.
54 Interviews by author, see Annex I.
55 Sediq Ahmad Osmani, interview.
56 M. Said Niazi, interview.
58 Sediq Ahmad Osmani, interview.
Survey findings, limited access to the Internet and the low level of literacy in Afghanistan make the measures less effective than they should be.

Media and public discontent due to widespread corruption in the implementation of projects and the delivery of public services also put pressure on the government to disclose more information. Public dissatisfaction increased after the first presidential election in 2004 due to poor government performance.

An example of poor service delivery is that, in addition to the formal fees charged for public services, the public also often have to pay bribes. A survey in 2009 found that Afghans had to pay approximately US$2.5 billion in bribes to access public services, equivalent to 23 percent of country’s GDP. In addition the public bore witness to the low quality of construction projects in their communities and to the misappropriation of public funds. These conditions made the public and the media vocal critics of the government and its lack of commitment to fighting corruption. In response, in 2005 President Hamid Karzai created an “accountability week” — a week in November every year during which members of the cabinet must report to the public on their progress. In practice, however, many observers have found that the week is treated more as a “reporting week” than an “accountability week.” The fact that the ministers did not share their reports with the media in advance made it difficult for the media to engage constructively on the issues. Regardless of these achievements on the part of the government, it had done little prior to 2008 to establish a monitoring framework or a baseline from which to measure progress on budget transparency.

Budget transparency has some way to go before it will become institutionalized in Afghanistan. The country has no Freedom of Information law, but the Ministry of Information and Culture — with input from CSOs — is working on the first draft of legislation that would establish the legal right to access to information. Although the Ministry of Finance shares information if a request is made, the receipt of this information is often dependent on an individual’s access to government officials. Some Afghans who have interacted with officials in the Ministry of Finance claim that access to information depends heavily on personal relationships. Essentially if you know someone in the ministry, it is easy to access information; if you don’t then you will struggle to access more than what is available on the ministry’s website.

While the government responds readily to requests for information from donors and other external stakeholders, it “approaches the Afghan citizens as secondary.” For example the government responds to requests for information from the international media quickly and comprehensively, but it is reluctant to respond to local media with the same integrity. The government provides the Afghan media with only general information, which is not of much use “if the aim is to fight corruption.” There is an emerging perception among Afghans that the government is less responsive to demands for information from its own people. Some journalists who specialize in budget-related issues argue that the government should make a greater effort to share budgetary

61 Donor official, interview by author, November 2011, see Annex I.
62 Sami Mehdi, interview by author, December 2011, see Annex I.
63 Interviews by author, see Annex I.
information with the media because this is the only means one can use to get a clear idea of what is going on in the country.\(^{64}\)

The problems around access to information are compounded by the fact that there is not an integrated unit in the Ministry of Finance — or in any ministry — that responds to demands for information. The result is that if someone contacts the ministry in an attempt to obtain information, he or she will most likely be referred to another department, making it difficult to access information in a timely manner if at all. In many cases public servants regard the sharing of information as a favor instead of a legal obligation.\(^{65}\)

**Conclusion**

Although Afghanistan has made important progress in increasing its budget transparency as measured by the increase in its OBI score from 8 in 2008 to 21 in 2010 — and is likely to record further improvements in the Open Budget Survey 2012 — its performance is still below average, reflecting that the government still shares minimal budget information with the public.

Overall the Afghan government is under pressure by the international community and to some extent domestic CSOs and the media to improve its reputation regarding corruption. Attention generated by the 2008 OBI release provided some momentum, and the government used the OBI indices as an easy guide for improving its reputation in the area of budget transparency. The evidence indicates that Afghanistan has the potential to improve its budget transparency measures even further. This change may prove difficult, however, given the complex nature of Afghanistan’s budget, which does not include all aid flows and relies heavily on donor-funded technical assistance. While political will remains the backbone of the process, a pragmatic and holistic approach that is tailored to Afghanistan’s context is required for budget transparency to become an instrument for confidence building and for efficient and effective public resource management in the Afghan state.

**Lessons learned:**

1. In a post-conflict environment the more transparent the budget, the more likely it is to build public confidence.
2. The lack of a monitoring framework and firm indicators creates ambiguity in assessing budget transparency. The introduction of universal measures of budget transparency, such as the OBI, brings clarity to the process, making it possible to monitor progress.
3. The OBI focuses on the government budget. This focus is problematic in cases where the government is highly dependent on aid and the budget only represents a small percentage of the country’s resources. Thus it is imperative that the scope and coverage of the budget transparency measures should also include the “off-budget” resources.
4. Though the OBI includes some important universal measures, there is a need for some country-specific measures too. In countries where there is limited access to the Internet, low literacy, and a high level of corruption, the government should seek alternative means of disseminating budget information – possibly through audio and visual media.

\(^{64}\) Sanjir Sohail, interview by author, January 2012, see Annex I.

\(^{65}\) Interviews by author, see Annex I.
5. It is extremely important that budget transparency measures be institutionalized through Freedom of Information laws and the creation of units in each ministry that are responsible for internal monitoring and for sharing information with the public.

6. CSOs campaigns should highlight the fact that the government is obliged to make budget information available and accessible. That being said, the government should own the whole process, with outside actors offering support and oversight. By making budget transparency a national priority, the government will be able to take greater ownership of the process.

7. Further focus and resources should be dedicated to the provincial level, where the real execution of the budget happens. It is also important to establish systematic linkages between budget transparency and anti-corruption measures.
Annex I: List of the Interviewees

1. A. Wali Qaderi, project officer, Accountability and Transparency Project, Ministry of Finance, and former OBI researcher, Kabul, Afghanistan


3. Jeremiah S. Pam, the U.S. Department of State, Kabul Afghanistan

4. M. Said Niazi, director, Civil Society and Development Centre, and CSO delegate attending the government budget meetings, Kabul, Afghanistan

5. Muhibullah Rahimi, Macroeconomic and Fiscal Coordinator, Afghanistan Assistance Program (APAP)/USAID, Kabul, Afghanistan.

6. Naveed Bakhshi, former Budget Execution Manager, Ministry of Finance, MA, USA

7. Niaz Shinwari, Senior Fiscal Policy Analyst and OBI Focal Point, Fiscal Policy Unit of Ministry of Finance, Kabul, Afghanistan

8. Sami Mehdi, journalist, 1 TV Afghanistan, Kabul

9. Sanjer Sohil, journalist and analyst, 8 Sobh Newspaper, Kabul, Afghanistan

10. Sediq Osmani, MP and member of the budget committee of the lower house, Kabul, Afghanistan

11. Seema Ghani, executive director, Secretariat of Joint Anti-Corruption Monitoring and Evaluation Committee, Kabul, Afghanistan

12. Yama Torabi, director, Integrity Watch Afghanistan, Kabul, Afghanistan
Bibliography


Riasate Omomi Adarai Amor Wa Darulanshai Shorai Waziran (Office of Administrative Affairs and Cabinet Secretariat), “Dast Award Hai Omdai Hokomat Dar Haft Sali Gozashta Wa Barnama Hai Panj Sali Ainda (The Last Seven Years Government Achievements and the Next Five Years Programs)” (Kabul: Edari Nizarat Wa Arziabi, 1388 [2009]).


UNODC, “Corruption in Afghanistan: Bribery as Reported by the Victims,” (UNODC, 2010).