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Afghans Coordination Against Corruption
AFCAC

Research Report

A Desk Research on National Budget and Rate of Corruption in Afghanistan

**A Content Analysis of Corruption-related Documents,
by studying the corruption scenarios and trends as well
as the Past 5 year Afghan National Budget documents
and government spending pattern for the Cause**



Disclaimer

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About the AFCAC

In view of the wide-spread corruption and lack of transparency and accountability in the government, and private sector the Civil Society Organizations (CSOs) decided to establish a coalition against corruption at a large meeting held on 25 February 2012 at the Afghan NGOs Coordination Bureau (ANCB) office located in Kabul. Following this meeting, the coalition was formally launched on 29 March 2012 in Kabul. In the launching ceremony, a number of CSO representatives, parliamentarians and government officials were present.

The coalition was named the “Afghanistan CSOs Coalition against Corruption” (AFCAC). Since AFCAC did not have any official status at its founding, it was decided that the coalition shall be led by, and work under the umbrella of, ANCB. The AFCAC is governed by a board of directors comprising seven permanent and seven alternative members. In total, 58 CSOs are members of the AFCAC as of May 2013. The number may be increased in future. The CSOs can play a vital role in fighting corruption at the government as well community levels, foster good governance, and ensure the inclusion of groups from marginalized or underrepresented communities including poor families, the rural population, women and the youth so that their voices are heard.

The AFCAC having come into existence through a combination of ANCB NGO whose representative are present on the Board of Directors and also in executive committees bring together an excellent blend of skill, expertise and experience of those NGOs with successful implementation of similar projects. AFCAC will aim to foster positive change and contribute to a more comprehensive, coherent and inclusive fight against corruption in Afghanistan. AFCAC will foster national dialogue, mobilize civil society for anti-corruption campaigns, and promote partnership building among anticorruption stakeholders in order to influence national level policies aimed at creating a new Afghanistan that has the needs and priorities of the population at heart.

Executive Summary

This study on budget expenditures discovered that many ministries simply could not manage to spend the majority of their allocated budgets effectively.

As will be mentioned later, none of the ministries' budgetary units were able to spend more than 75.0 percent of their allocated development budgets, which shows a great dearth in capacity at the national and sub-national level in the concerned government agencies in budget execution problems with the flow of development funds from the centre to provinces, or other issues that need to be further analyzed.

It should be recognized that the Government of Afghanistan has made significant progress in the budget formulation and execution process compared to previous years. It still has numerous challenges however to achieve a truly transparent budget formulation process and execution based on the stated needs and priorities of local communities, while effectively executing it through provincial and district departments.

The 1392 Budget set ambitious targets for the budget cycle. The proposed budget for the year 1392 was AFN 366.235 billion (USD\$ 7.043 billion) which showed 43 percent increase in comparison with 9 months and 16 percent increase in comparison with 12 months of last year budget 1391.

The proposed budget for FY 1393 was USD 7.932 billion (AFN 444.192 billion) which was 28 percent higher in comparison to 1392 budget of USD 6.697 billion (AFN 348.2 billion).

National Budget was funded by three sources, i. Domestic, ii. Donor's assistance and, iii. Loans. MoF has targeted USD 7.49 billion (AFN 419.5 billion) funding for 1393 budget, USD 2.379 billion (AFN 133.2 billion) 30 percent from domestic revenue and USD 5.113 billion (AFN 286.3 billion) 64 percent from donor's assistance. But still there was a budget deficit of USD 440 million (AFN 24.7 billion) which is 6 percent.

The proposed budget for FY 1394 was USD 8.048 billion (AFN 458.751 billion), which was 7 percent higher in comparison to the 1393 budget of USD 7.641 billion (AFN 428.38 billion).

The national budget is funded through domestic revenue, donor's assistance, and loans. Domestic revenue for 1394 was projected at USD 2.323 billion (AFN 132.424 billion), constituting 29 percent of the national budget. For 1394, international donors have committed

USD 5.652 billion (AFN 322.192 billion), which constitutes 70percent of the overall budget for 1394(EPD, Independent Review of Afghanistan National Budget 2014).

This report has identified the corruption scenarios, cases and problems associated with the social dilemma. Afghanistan has witnessed 2 USD billion bribery in last two years. Corruption has become the second biggest concern for Afghans. Bribery which is the most common form of corruption has nearly doubled in last four years. The number of adults who paid a bribe has gone from 1.6million people to nearly 2million people, a 25percent increase in participation in bribery in two years. While the average bribe rose from 190 USD in 2012 to 240 USD in 2014, the average number(*Frequency*) of bribes paid per year has remained unchanged. Corruption has been identified the most second important problem Afghan government is being faced. This document has characterized the nature of corruption as acceptable and unacceptable by Afghan and their causes as well as policy measures to fight them in any kind or nature effectively.

Introduction

Good governance is critical for any properly functioning government as it ensures delivery of services to people through state institutions. To provide better services to the people, state institutions require resources. Governments should thus collect revenue from state resources and taxes and subsequently mobilize this revenue to provide services to its citizens. The national budget is, therefore, one of the most important instruments for the government to plan and provide better services to its citizens, and for the representative bodies and civil society to monitor government performance by comparing revenue collection and expenditures with service delivery to the people.

This paper also aims to provide a summary of the main features of the 1391 to 1394 budget proposed by the government to the Parliament. It focuses on key initiatives mentioned by the government for further development of an open and inclusive budget formulation process; broad analysis of proposed 1391-1394 complementary allocations; and also includes a preliminary comparative analysis of the 1391-1394 budget allocation and execution by different government agencies. This paper also highlights the major findings about the 1391-1394 proposed budgets along with recommendations for its better implementation and execution by various government agencies failed to do so in the past.

Public fiscal policies are developed to facilitate an environment for sustainable economic development, job creation, fair distribution of resources among different sectors and provinces for effective service delivery. Over recent years, the fiscal policy adopted by Afghan government besides maintaining macroeconomic and fiscal stability has focused on addressing security concerns, improving service delivery, investing in infrastructure, and facilitating growth of the private sector. The main objective of the government's fiscal policy over the medium-term has been to ensure that domestic revenues gradually finance the entire operating budget and to attract more on budget support for realization of national priority programs.

This report is also aiming to use the national budget as an advocacy tool for voicing concerns of people and advocate for transparent and accountable distribution of resources to sectors and provinces and delivery of effective basic service by state institutions. This study is aiming to use this paper for raising awareness of parliament, civil society and media on the 1391-1394 national budgets and advocate to government for implementation of recommendations of this paper.

This review would not have been possible without various contributors; such as Ministries of Public Health, Higher Education, Labor and Social Affairs and last but not the least the Budget Department of Ministry of Finance for sharing their invaluable thoughts, information and experiences. We also would like to thank Counterpart International's USAID funded Initiative to Promote Afghan Civil Society (IPACS II) program for providing financial assistance to make this Independent Review possible. We are also grateful to many civil society representatives for enriching this report by attending the consultation meetings particularly partners from civil society actors, government officials and political parties. The 1391-1394 budget was critical because of the context in which it had tried to shape the economic policy.

The 1391-1394 National Budget Reviews began with a desk review of the implementation process of key budget and Public Financial Management (PFM) reforms as outlined in policy documents and discussed in the literature. Accordingly, questionnaires were developed and divided thematically for each separate cluster of interviews with officials from Ministry of Finance (MoF) senior government officials (Directorate General (DG) Budget, DG Treasury, and DG Customs), senior government officials of service delivery ministries (Ministry of Public Health (MoPH) and Ministry of Education (MoEd), civil society organizations (CSOs), and PFM experts. 70 people were interviewed through the consultations at the central level, a consultation was organized with 15 CSOs in Kabul, and an online survey on the national budget and service delivery was conducted. More of concerned research papers were reviewed and then the concerned information were collected through a comprehensive desk research and put together after analysis.

Afghanistan an illicit economy (Armand Geller n.d.), a weak government in terms of social security and economic performance, a country where norms and values are put forward when government rules and regulation are considered secondary. Afghanistan a war-torn underdeveloped country has been facing severe socio-development problems such as poverty, illiteracy, lack of energy sources, and weak economy right from its establishment.

Success in war depends on alignment between operations and strategy (**Rudra CHAUDHURI 2011**), commonly, such alignment takes time as civilian and military leaders assess the effectiveness of operations and adjust them to ensure that strategic objectives are achieved.

Drawing on extensive field research, the report finds that significant progress has been made at the operational level in four key areas: the approach to counterinsurgency operations, development of Afghan security forces, growth of Afghan sub-national governance and military momentum on the ground. However, the situation is bleak at the strategic level. This report will only identify a strategic obstacle to campaign success: [corruption] in Afghan national government.

Since the establishment of new Afghan democratic government in 2001, soon after collapse of the Taliban regime, Afghan government with close collaboration of international community have put their joint focus on corruption and its root causes. Occasionally Afghan government officials specially at ministerial level in their interviews has been blaming the donor agencies in persuading afghan public and private sector [actors] to get corrupt and publicise corruption itself.

The fact remains, however, that corruption is only one of the problems that not only the U.S. and its allies but also afghans must address in an active war zone, and anti-corruption drives largely a triumph of hope over experience in societies with a history of systematic corruption (**Cordesman 2010**).

The average bribe paid by those surveyed in 2009 was AFN 7,769 (USD 156). The U.S. Special Inspector General (SIGAR) reports that the survey found that this amount represented 31 percent of the average annual income in Afghanistan (USD 502).

Afghans who earned less than AFN 3,000 (USD 60) a month reported the highest exposure to bribery and listed corruption as the largest problem in Afghanistan. The same poll by the International Council on Security and Development (ICOS) found that 74 percent of Afghans worried about feeding their family and 59 percent sometimes simply could not do so.

Corruption is a burden on people so poor that a third of the population is dependent on the UN's World Food Programme to survive (**Cordesman 2010**) at the global level.

Corruption is as dangerous as terrorism itself. It is very important to address some basic and very effective policy measures as well as recommendation by legislative branch of afghan government to create a transparent governance environment to fight corruption at all the levels.

Corruption in Afghanistan is systematic in nature and hence government should also act in a very effective ways of good governance; in doing so allocating a serious amount of fund through its national budget to fight this serious illness will be much effective strategy.

Objective of the Research:

Afghan government and international community have always been trying to fight corruption hurdle in the path of development projects that are either implemented by government or international community or even jointly.

Afghanistan being one of the most top corrupt countries in the world while channelizing the internationally Aid Funds, has always denied the reports indicating Afghanistan a second corrupt country in the world (Transparency 2014).

Specific Objectives of the Report:

- This report will highlight the policy level measures and possible gaps in the budget development processes.
- This document will also provide the civil society organizations in Afghanistan, information on the current government expenditure codes and developmental projects putting an especial focus on projects funded by government to fight corruption.
- This document will give a hint to the tax payers, where the money they pay as income tax or so goes? And how is the money being spent by the government of Afghanistan.
- The document will also provide students at very different levels of secondary and higher education comprehensive and updated information on the process of budget preparation, types of budget, estimations and fund allocation in national budget of Afghanistan.
- This report is looking in depth the government national budget and its allocated funds specifically addressing corruption.
- This report will identify some issues and problems related to budget allocation in Afghan National budget to fight corruption through government line ministry or authorized government agencies.

Research Questions

- Is Afghan government allocating a sum of money to fight corruption directly in its national budget?
- How Afghan Legislators, can put steps forwards and make recommendations and policy measures in order to fight the prevailing gaps in allocated budget and expenditure by key government agencies and corruption effectively?

- How the Government Budget is spent by various government agencies for development prospects?
- What the gaps in the budget development and its implementation by the concerned government agencies were in the last five years?
- What are the percentages of gaps in monetary terms in the current budget and previous budgets passed by parliament of Afghanistan?
- How is the nature of corruption in Afghanistan?
- How much international community is responsible, in popularising Afghanistan as one of the most top corrupt countries in the world?

Failure of the some of the government agencies has brought legitimacy of Afghan government to serious questions. Most of the government agencies at ministerial level have failed to execute their allocated funds proposed in the national budgets. Data from different research institutes show a 20-25 percent failure due to reasons discussed later.

Corruption influences our daily life in many different ways. As a negative influencing factor corruption blocks almost all the paths for economic development as well as good governance. Fight against corruption can pave the ground to achieve the mentioned objectives.

Corruption a hurdle and most devil social phenomenon in Afghanistan have been addressed to a weakest and ineffective extent as a severe problem by various donors since 2004.

In doing so as an effort to achieve sustained growth, economic integration trade expansion and build civic trust on government, Afghan government has formed an important component of national development strategy dealing with corruption which has never been implemented by the concerned government departments due to unknown reason.

Corruption also known as [RISHWAT] among Afghans has doubled in the last 4 years reaching close to 2 USD billion(IWA). Corruption, by and large, remains institutionalized and there is a high confidence in bribes to get things done. 34percent of respondents whose households had paid a bribe said that they were highly certain the bribe would help them obtain the service(IWA).

Corruption has become the second biggest concern for Afghans. Bribery [RISHWAT] which is the most common form of corruption has nearly doubled in last four years. The number of adults who paid a bribe has gone from 1.6million people to nearly 2million, a 25percent increase in participation in bribery in two years. While the average bribe rose from 190 USD

in 2012 to 240 USD in 2014, the average number(*Frequsncy*) of bribes paid per year has remained unchanged (IWA).

No one can ignore corruption in Afghanistan. Corruption is a fact in every fragile state due to poverty, poor leadership and inefficient managerial technical know-how.

Budget Department Business Processes

Budget Planning - Business Process I: Budget Circular 1 (BC-1)

Business Owner: PBU

Business Circular 1 is the first step in the budget preparation process in Afghanistan. The objective of Business Circular 1 is to gather information on line ministries' baseline costs for current programs and new spending initiatives. Business Circular 1 requests a broad estimate of expenditures a ministry or budgetary unit in Afghanistan wishes to make in pursuit of its objectives in a fiscal year. Estimates put forward at this stage of the budget cycle are, therefore, described as indicative costs. This information enables Ministry of Finance to assess policy changes and select priorities to be funded in the next fiscal year, seek donor assistance to fund priority initiatives, and provide budget ceilings for each budgetary unit. Additionally, information gathered through Business Circular 1 submissions creates the basis for preparation of Medium-Term Budget Framework (MTBF).

Baseline costs of a program are costs associated with maintaining the existing level of activities. New initiatives are new activities and, in some cases, expansion of existing activities, intended to result in increased level of outputs/services. Each new spending initiative should define:

- How the proposed spending supports achievement of ANDS objectives;
- Additional level of outputs that should to be delivered through the initiative; and
- Approximate cost estimates of the initiative—for both operating and development project spending.

Under current budget preparation procedures, MoF aims to circulate this document in mid-April each year. Budgetary units are given 4-6 weeks to prepare and submit their Business Circular 1 submissions.

Budget Planning Business Process II:

Medium Term Budget Framework (MTBF)

Business Owner: BPU

In this process, budget priorities and ceilings—set by Budget Committee during the Business Circular 1 analysis period are incorporated into the broader MTBF document and approved by the Cabinet.

MTBF is prepared as preliminary draft budget, containing assessment of existing budget policies and new funding priorities for the coming period. The goal of MTBF is to identify initial budget ceilings for each budgetary unit, the ceilings are used as the basis for issuing Budget Circular No. 2 as well as preparation of detailed budget submissions by budgetary units. Therefore, MTBF must be finalized at least six months prior to beginning of the next fiscal year.

MTBF is essentially a tool for ensuring medium-term fiscal sustainability of budget decisions, setting budget priorities that can be funded from available resources. Basic steps in MTBF preparation involve:

- Defining overall fiscal framework consistent with macroeconomic aggregates, donor pledges and commitments, and policy measures for the medium-term;
- Assessing existing budget policies;
- Identifying new high priority policies that need to be funded;
- Ensuring sustainability of essential budget policies; and
- Setting firm budget ceilings for each budgetary unit.

Budget Planning Business Process III:

Budget Circular -2 (BC-2)

Business Owners: BPU

Following approval of MTBF by Cabinet, initial budget ceilings and approved spending initiatives are communicated to all ministries/budgetary units through BC-2. During this process, budgetary units are requested to:

- prepare and submit integrated program based budget requests;
- clearly state objectives of their proposed programs;
- develop detailed costs of their programs over the next three years;
- clearly define activities/projects to be implemented as part of these programs; and
- Link their fund requests with specific output targets.

Budget Planning – Business Process IV (II):

Development Cooperation Dialogues (DCDs) and Donor Consultations

Business Owner: ACU

As an integral part of the annual budget cycle, MoF conducts DCDs once a year to provide a clear picture of Official Development Assistance (ODA) to Afghanistan, ascertain greater transparency and accountability in aid management, and enable the Government to successfully implement the ANDS. Additionally, Aid Coordination Unit (ACU) conducts consultations with donors once a year to gather information on donors' commitments for formulation of the core national budget. DCDs and donor consultations are vital planning tools for the Government to accurately forecast ODA flows and provide crucial data for the preparation of the Mid-Term Fiscal Framework (MTFF). Prior to 1389, MoF used to conduct Donor Financial Reviews (DFR) twice a year, focused mainly on quantitative aid flows.

Budget Planning - Business Process V:

Financing Agreement (On and Off-Budget)

Business Owner: ACU

The main purpose of this process is to secure donor financing for GOA priorities (on and off-budget). GOA negotiates funding of specific projects, or programs, with donors and LMs through this process. This process involves core budget financing as well as loans and grants.

The off-budget financing process applies to projects that are financed outside the core government budget. These vary in scale and cost. Those projects costing more than USD 5 million are assessed in accordance with the Operational Guide to Off Budget Development Financing (OG). In line with the principles of Paris Declaration on Aid Effectiveness, and the Operational Guide for Off-Budget Financing, the Government and its development partners seek to improve aid effectiveness while negotiating all international financing agreements.

The main objectives of this process are:

- Signing agreements with donors to fund Government's priorities;
- Better alignment of off-budget financing to national priorities with an aim to increasing effectiveness of aid;
- Increasing aid quality and effectiveness through creating closer partnership between the Government and its development partners; and
- Enhancing Government's aid management capacity.

Budget Decision-Making Business Process I:

Budget Hearings

Business Owner: Sectors

The goal of budget hearings is to discuss line ministries' budget requests, as well as figures recommended by MoF, and reach agreements on final figures to be included in the Budget Statement. Since program budget has been rolled out to all budgetary units, budget hearings follow program format of submissions and discussions during the hearings focus on policy objectives, performance, and planned results. Tashkeel for each budgetary unit is reviewed prior to the hearing based on ceilings recommendations.

- previous year's budget execution and performance reports;
- quality of cost justifications and project documents;
- availability of donor funding;

- services to be provided, and planned output targets.

Budget hearings are the final point of budget negotiations. No further budget discussions should take place after budget hearings (prior to Cabinet discussion), allowing timely preparation of Budget Statement.

Budget Decision-Making - Business Process II:

Budget Statement Business Owner: BPU

Objective of the Budget Statement is to share appropriated budget information with Government and external stakeholders. Budget Statement contains explanations of budget figures for the next fiscal year—explaining budget allocation decisions. The Statement's background information include macro-economic and fiscal projections, debt levels, Government development policy objectives, key achievements in the past period, impact of budget spending at provincial level, and planned results for future. Budgets are presented by type of budget (operating and development), broken down by budgetary units, programs, economic codes (wages, goods and services) and projects.

Draft Budget Statement is first submitted to Cabinet for approval by January 20th at the latest. Following approval by Cabinet, proposal of the Budget Statements is submitted to

Parliament for appropriations 45 days before the beginning of the fiscal year. Once approved by Parliament, the Budget Statements become appropriation bill for the budget.

In line with current practice, however, a short version of the budget, Budget Document, is presented to Parliament for approval. The Budget Statement is finalized only after the Budget Document is approved.

Budget Execution

Business Process I:

Financial Planning Business Owner: Sectors/ BED

Financial planning is the first step in the budget execution process. Line ministries are requested to prepare detailed financial plans at the beginning of each fiscal year, following appropriation of budget by Parliament.

The object of this process is to improve budget execution and in-year cash management. Line Ministries and other budgetary units are expected to manage public funds efficiently for effective service delivery. Effective financial planning is needed to ensure:

- budget execution rates increase, particularly for the development budget where execution rates have been consistently low; and
- Arrears do not accumulate where goods, services and utilities are not properly planned for in the operating budget.

Main challenges in improving budget execution rates and overall public funds management are:

- Improving line ministries' capacity to better plan their budgets; and
- Providing better monitoring of in-year budget out-turns for the Ministry of Finance.

1. Budget Execution

Business Process II:

Allotments Business Owner: Sectors/BED

Allotments are portions of the appropriated budget available for commitment during each quarter of the current fiscal year. Allotments are prepared by budgetary units and approved and controlled by MoF (Budget Department). Through allotments, MoF allocates and releases funds to sub-organizations of the line ministries on quarterly basis.

Following streamlining of the process, the Budget and Treasury departments process allotments within 3 days and ensure SBPS is a complete record of allotments, for reporting purposes.

In the new Tashkil, the Budget Execution Unit (BEU) will become the Allotments Control and Verification Unit (ACVU). Terms of reference for the new unit will change accordingly, mainly to avoid duplication of tasks with Sectors.

Program Evaluation

Business Process I:

Performance Reporting Business Owner: BPEU

Performance reporting is a vital tool for Ministry of Finance and Cabinet to assess line ministries' progress toward implementation of their programs and achievement of earlier set performance targets. This process allows the Government to hold budgetary units accountable for their performance as well as identify and remove blockages to greater service delivery.

Budgetary units submit performance report on quarterly basis to demonstrate their financial (budget execution against appropriation and allotments) and non-financial performance (actual produced/achieved output results against output targets set in budget submissions).

Program Evaluation

Business Process II:

Mid-Year Review (MYR)

Business Owner: Sectors/BED

The purpose of MYR is to reassess the country's fiscal position and the budget execution process, and make adjustments in the appropriated budget year. The process may involve reducing overall spending, cutting budgets for low or non-performing projects, and reallocating funds to successful ones. The Budget Department conducts MYR with inputs from budgetary units/line ministries.

Program Evaluation - Business Process III:

The purpose of this process is to assess and certify off-budget projects for inclusion in the comprehensive budget. The Government and its development partners intend to improve effectiveness of off-budget projects through compliance with the Criteria of the Operational Guide for Off-Budget Development Financing, which are developed based on principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

Budget Planning

1. Budget Circular 1
2. Mid-Term Budget Framework
3. Budget Circular 2
4. Development Cooperation Dialogs/Donor Consultation
5. Financing Agreements

Budget Decision Making

1. Budget Hearings
2. Budget Statement

Budget Department Business Processes

✓ Budget Execution

1. Financial Planning
- ✓ 2. Allotments

Program Evaluation

1. Performance Reporting
2. Mid-Year Review
3. Project Certification of Off-Budget Projects

Afghanistan National Budget 1391

It should be recognized that the Government of Afghanistan has made significant progress in the budget formulation and execution process compared to previous years. It still has numerous challenges however to achieve a truly transparent budget formulation process based on the stated needs and priorities of local communities, while effectively executing it through provincial and district departments.

During the formulation of the 1391 budget, several initiatives were taken by the Afghan Ministry of Finance (MoF) to move towards a more inclusive and transparent national budget formulation process, which include:

The 1391 budget has arguably progressed compared to previous years as it was linked to commitments made at the Kabul and Bonn Conferences, such as the national priority programs (NPPs). Budget documents also explained the coordination and reporting mechanisms under the Deputy Minister of Finance for Policy Affairs to ensure that ministries are properly coordinating their policies and activities within each sector and cooperating with one another in the implementation of the national priority programs (NPPs).

Breaking down the total 1391 budget into the operating and development budget streams, the sectors of security and education received the highest allocations amongst all sectors within the operating budget, at 57.0percent and 16.9percent respectively. Other sectors received merely 1.0percent to 5.6percent of the operating budget, with the health sector receiving only a dismal 1.5percent of the 1391 operating budget.

Focusing on the 1391 development budget, the same two sectors mentioned above, security and education, received much less of the whole - at 1.2percent and 9.4percent respectively. This shows that while the government has taken increased responsibility for operational costs of these two sectors, the development activities are still primarily externally-funded by donors. Interestingly, the two sectors i.e. physical infrastructure and agriculture rural rehabilitation, each received less than 2.5percent of the 1391 operating budget, but are receiving 44.8percent and 23.0percent of the development budget. The report showed that while there was healthy investment in these two sectors via core and external budgets, but there were not enough resources allocated for the maintenance of these investments.

Highlighting line ministry achievements in the 1390 budget execution process and setting of ambitious execution targets for 1391 (EPD, Afghanistan 1391 National Budget Analysis 2012).

This was an important initiative as it created a baseline for monitoring the performance of all ministries and whether or not they hit their targets while executing their budgets.

In the 1391 national budget, the Government of Afghanistan also committed itself to further improve the Public Financial Management (PFM) for better overall budget formulation. These improvements included capacity-building of civil servants, awareness workshops for civil society (especially to promote transparency and accountability), piloting a provincial budget process with four key ministries and also expanding the process of program budgeting to all line ministries (requiring these ministries to formulate their budgets based on the programs and priorities stated in former ANDS). Measuring progress was somewhat challenging as no comprehensive detailed studies existed which could have documented the Government of Afghanistan's PFM capacity since 2001 to do a trend analysis over time.

1391 Budget Resource Allocation

The total 1391 budget allocation including both the operating and development budgets was AFS 244.5 billion (approximately USD 4.8 billion). Despite the shortened fiscal year, the total 1391 budget was 8.0percent greater than the 1390 budget (of AFS 224.7 billion).

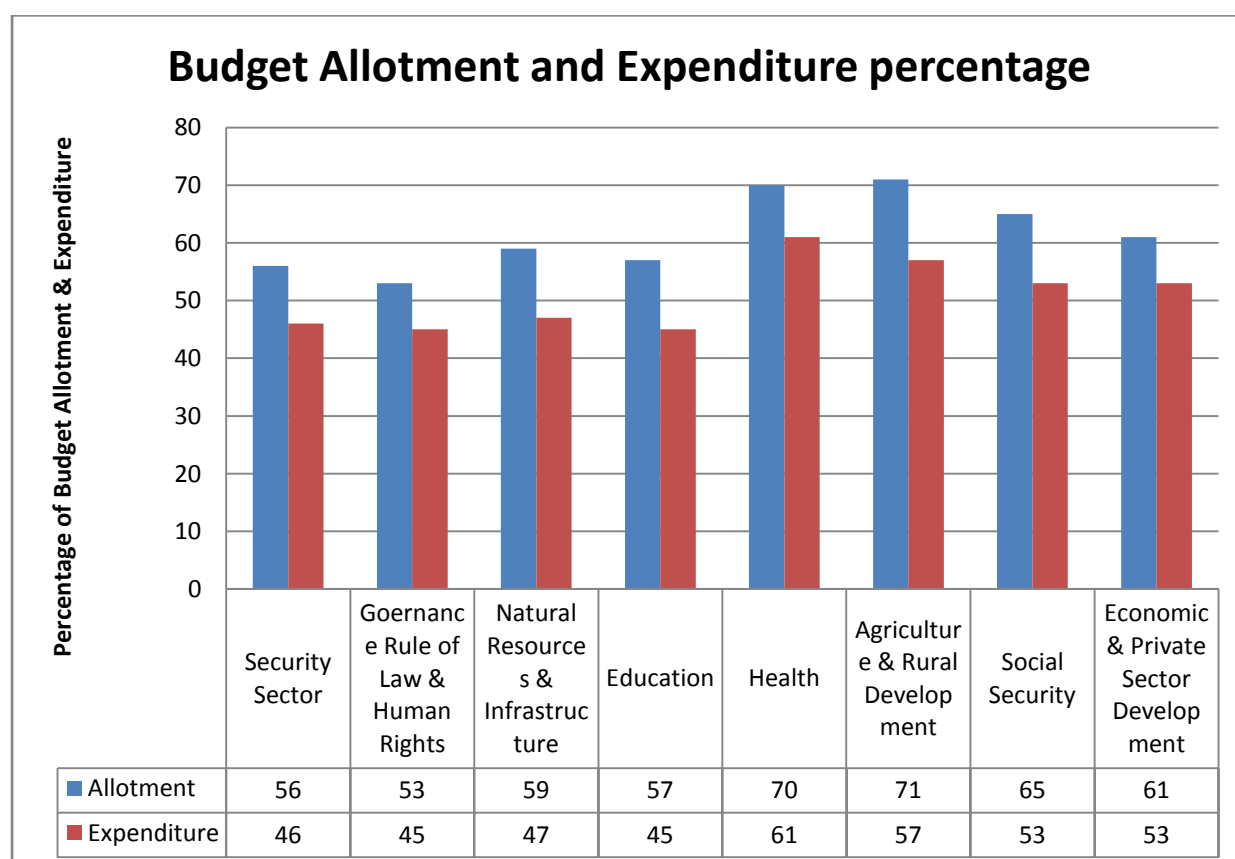
The total 1390 core budget was AFS 251.9 billion (or about 34.0percent of projected GDP), which included an operating budget of AFS 150.7 billion (59.8percent) and a development budget of AFS 101.2 billion (40.2percent).

The tables below shows 1390 expenditures by sector for both the development and operating budgets as well as the top seven ministries with **less than a 10.0percent** expenditure rate of their 1390 development budgets (EPD, Afghanistan 1391 National Budget Analysis 2012) and also differences in expenditures for both. It is notable that only 50.0percent of the overall development budget was spent as of 22nd March 2012).

Table: 1391 Budget Resource Allocation and Expenditure to different government sectors;

Secretors	Budget Approved	Budget Allotment	Budget Expenditure	percent Allotment	percent Expenditure
Sector: Security	22.10	12.4	10.3	56.1 %	46.7 %
Sector: Governance, Rule of Law and Human Rights	72.95	39.0	32.9	53.5 %	45.1 %
Sector: Natural Resource and Infrastructure	941.43	556.0	448.3	59.1 %	47.6%
Sector: Education	256.75	146.9	116.7	57.2 %	45.4 %
Sector: Health	165.69	116.3	102.6	70.2 %	61.9 %
Sector: Agriculture and Rural Development	504.96	359.1	291.9	71.1 %	57.8 %
Sector: Social Security	23.53	15.3	12.5	65.2 %	53.1 %
Sector: Economic and Private Sector Development	134.15	82.9	71.8	61.8 %	53.5 %
Sub Total: All Sectors	2,121.56	1,327.87	1,086.99	63%	51%
Grand Total	2,179.0	1,328	1,087	61%	50%

Figure: Budget Allotment and Expenditure percentage



The studies on development budget expenditures discovered that many ministries simply could not spend the majority of their allocated development budgets as allocated in the 1391 national budget.

As mentioned, none of the ministries' budgetary units were able to spend more than 75.0percent of their allocated development budgets, which shows a great dearth in capacity at the sub-national level, problems with the flow of development funds from the centre to provinces, or other issues that need to be further analysed.

However, the execution of the operating budget was another story and has progressed nicely leading up to 12th March 2012. 94.0percent of the 1390 operating budget allocations were spent. Data notes that this high rate of operating budget expenditure was due to the fact that more than 75.0percent of the 1390 operating budget was composed of salaries and wages, which were paid to the civil servants nationwide on a monthly basis. The remaining 25.0percent were for operations and maintenance, allocated to the ministries to be able to cover the regular operational costs.

Government Agencies	Budget	Allotments	Expenditures	Allotment percent	Expenditure percent
Ministry of Defense	1.7	0.2	0.2	9.0%	9.0%
Oversight Commission	1.1	0.1	0.1	7.6%	7.3%
Afghan Independent Human Rights Commission	0.5	0.0	0.0	0.0%	0.0%
Office of Geology and Cartography	3.5	0.0	0.0	0.0%	0.0%
High Commission for Nuclear Power	0.0	0.0	0.0	3.1%	0.0%
Water Supply Commission	19.1	4.7	1.0	24.4%	5.2%
AISA	8.1	0.2	0.2	2.7%	2.5%

Afghanistan National Budget 1392

The 1392 Budget set ambitious targets for the budget cycle. The proposed budget for the year 1392 was AFN 366.235 billion (USD\$ 7.043 billion) which showed 43 percent increase in comparison with 9 months and 16 percent increase in comparison with 12 months of last year budget 1391 (EPD, 1392 National Budget Review 2013).

Table below is 1392 budget sectors allocation for both Ordinary and Development budgets (EPD, 1392 National Budget Review 2013);

Table: Sectors Allocation for both Ordinary and Development Budgets.

N O	SECTORS	In (000) Dollars Total percent					
		Ordinary Budget	Develop ment Budget	Total	Total percent	% Ordinary budget	% Development Budget
1	Security	2,154,321	636,353	2,790,674	39.6%	57%	19%
2	Infrastructur e and Natural Resources	62,167	1,039,094	1,101,261	15.6%	2%	32%
3	Education	654,803	407,819	1,062,622	15.1%	17%	12%
4	Agriculture and Rural Developmen t	39,163	638,842	678,005	9.6%	1%	20%
5	Good Governance	213,200	85,241	298,441	4.2%	6%	3%
6	Health	65,305	202,582	267,886	3.8%	2%	6%
7	Economic Developmen t	53,609	140,212	193,820	2.8%	1%	4%
8	Social Protection	44,530	23,272	67,802	1.0%	1%	1%
9	Other codes including Contingency code	486,123	96,351	582,474	8.3%	13%	3%
TOTAL		3,773,221	3,269,766	7,042,985	100%	100%	100%

Comparison with 1391 Allocations

There has been 20 percent increase in allocation of 1392 ordinary budget in comparison with 9 months budget of 1391 and 4 percent decrease in comparison with presumed 12 months budget of 1391. There was increase in several sectors budget except the infrastructure and natural resources, governance and human rights, economic development sector and contingency (Ihtyad codes) which showed significant decrease in comparison with 12 months presumed projections of 1391 budget or the actual 9 months. The table below compares sector allocations of 1392 budget for ordinary budget in comparison with the actual 9 months and presumed 12 months of 1391 budget allocations. The budget allocations for 1391 in the table below were obtained from the latest expenditure report of MoF's website.

Table: 1392 Ordinary Budget Allocations Comparisons with 1391

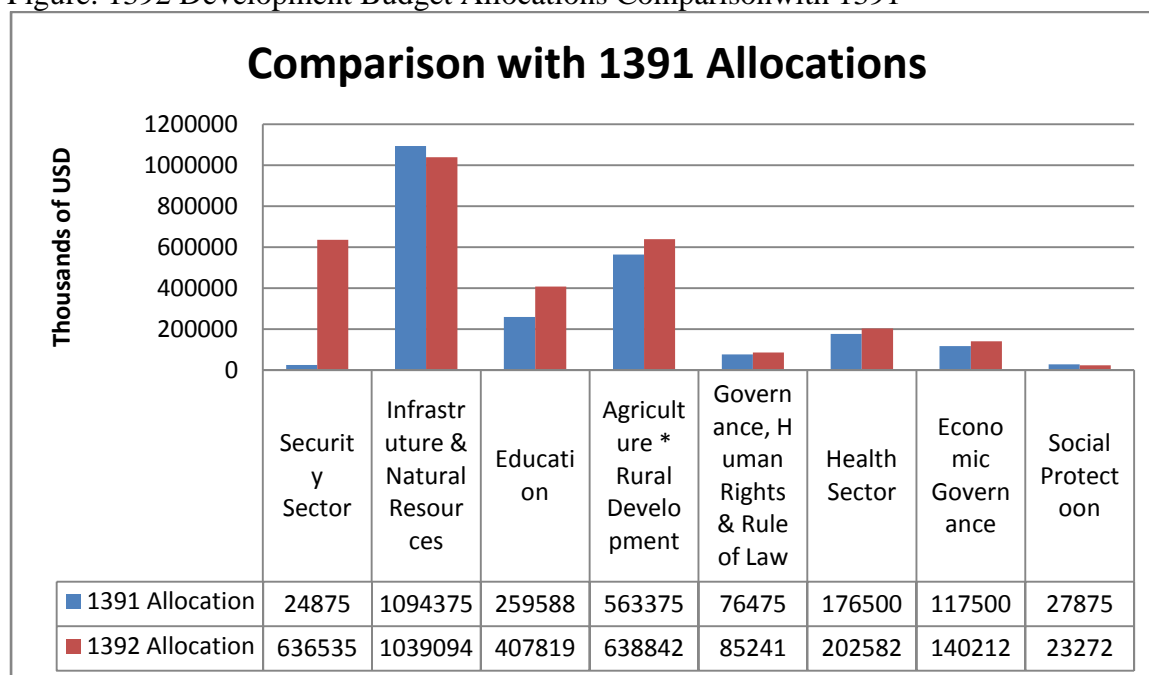
SECTORS AND MINISTRIES	1391 ALLOCATION (9 MONTHS)	1391 ALLOCATION (12 MONTHS ASSUMPTION)	1392 ALLOCATION	DIFFERENCE WITH 9 MONTHS	DIFFERENCE WITH 12 MONTHS
Security Sector	2,009,040	2,511,300	2,154,321	7%	-14%
Infrastructure and Natural Resources	63,860	79,825	62,167	-3%	-22%
Education Sector	462,320	577,900	654,803	42%	13%
Agriculture and Rural Development Sector	28,160	35,200	39,163	39%	11%
Governance, Human Rights and Rule of Law Sectors	179,600	224,500	213,200	19%	-5%
Health Sector	41,760	52,200	65,305	56%	25%
Economic Governance Sector	137,120	171,400	53,609	-61%	-69%
Social Protection Sector	174,820	218,525	44,530	-75%	-80%
Total of Sectors	3,096,680	3,870,850	3,287,098	6%	-15%
Contingencies	55,860	69825	486,123	770%	596%
General Total	3,152,540	3,940,675	3,773,221	20%	-4%

There was a significant increase in development budget with 71 percent increase in comparison with 9 months development budget and 37percent in comparison with presumed 12 months budget of 1391. Within the sectors, there was massive infusion of assistance in security, which constituted more than 53 percent however instead the development budget for infrastructure and social sectors was decreased. While the government had managed to attract significant on budget support for security sector, for two of the non-security sectors, on budget support had massively decreased.

Table: 1391 development budget allocations for sectors in comparison with 1392.

Sectors and Ministries	1391 Allocation (9 months)	1391 Allocation (12 Months Assumption)	1392 Allocation	Difference with 9 months Allocation	Difference with 12 months allocation
Security Sector	19,900	24,875	636,353	3098%	2458%
Infrastructure and Natural Resources	875,500	1,094,375	1,039,094	19%	-5%
Education Sector	207,670	259,588	407,819	96%	57%
Agriculture and Rural Development Sector	450,700	563,375	638,842	42%	13%
Governance, Human Rights and Rule of Law Sectors	61,180	76,475	85,241	39%	11%
Health Sector	141,200	176,500	202,582	43%	15%
Economic Governance Sector	94,000	117,500	140,212	49%	19%
Social Protection Sector	22,300	27,875	23,272	4%	-17%
Total of Sectors	1,872,450	2,340,563	3,173,415	69%	36%
No allocated	41,100	51375	96,351	134%	88%
General Total	1,913,550	2,391,938	3,269,766	71%	37%

Figure: 1392 Development Budget Allocations Comparison with 1391



Comparison with 1391 Expenditures

Afghanistan is a state in transition which involves not only military but also political and economic transition. The year 1391 budget execution has been higher than last year, but still has missed quarterly fiscal targets. Changes to the budget calendar and prolonged parliamentary discussions have shortened the time frame for the execution of 1391 year's national budget and made it was challenging for the lines ministries to meet fiscal targets. These under expenditures were reported at the times when after Tokyo conference, President issued a decree mentioning budget execution as one of the indicators for evaluating ministries' performance. While the table below shows 65 percent of execution or ordinary budget as of 03 November 2012, it also shows that 91 percent of ordinary budget is being allotted.

Table: Sector Allotments and Expenditure of Ordinary Budget

Sectors and Ministries	Approved Budget	Allotment	Expenditure	Allocated percent	Expenditure percent
Security Sector	2,009,040	1,840,980	1,214,800	92%	60%
Governance, Human Rights and Rule of Law Sectors	178,600	177,860	131,580	100%	74%
Infrastructure and Natural Resources	63,860	63,040	45,200	99%	71%
Education Sector	462,320	423,460	340,420	92p%	74%
Health Sector	41,760	36,200	25,220	87%	60%
Agriculture and Rural Development Sector	28,160	27,360	20,640	97%	73%
Social Protection Sector	164,820	164,460	125,941	100%	76%
Economic Governance Sector	137,120	136,720	122,640	100%	89%
Total of Sectors	3,085,680	2,870,080	2,026,441	93%	66%
Contingencies			55,860		
General Total	3,141,540	2,870,080	2,026,441	91%	65%

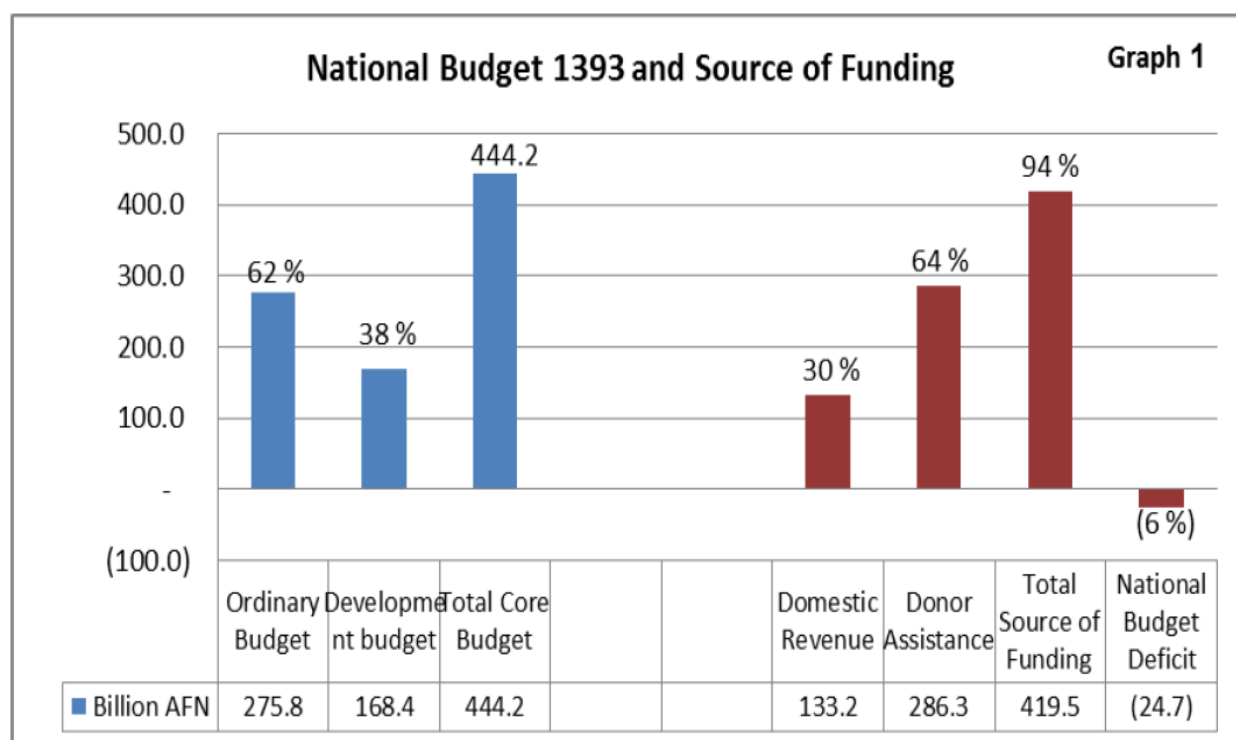
Afghanistan National Budget 1393

The proposed budget for 1393 was USD 7.932 billion (AFN 444.192 billion) which was 28 percent higher in comparison to 1392 budget of USD 6.697 billion (AFN 348.2 billion).

(EPD, Independent Review of Afghanistan National Budget 2014).

If we look at the composition of the overall 1393 budget, USD 4.925 billion (AFN 275.8 billion) 62 percent of the proposed national budget was allocated for Ordinary Budget and USD 3.007 billion (AFN 168.4 billion) 38 percent for development budget. It also plainly revealed two distinctions; 1393 development budget had increased by 19 percent and operating budget has increased by 33 percent in comparison to 1392 national budget. *However, the development budget may have increased or decreased after preparation of Qatia of 1392 and carryover of funds from 1392 to 1393* (EPD, Independent Review of Afghanistan National Budget 2014).

Figure: National Budget 1393 and Sources of Funding



Estimated Resources

MoF domestic revenue target (AFN 133.2 billion) was quite ambitious, not in terms of revenue generation but actually in terms of collection. MoF had been collecting 79percent of the domestic revenues from taxes, 20percent from non-tax and about 1percent from sale of assets. Domestic revenue target for 1393 budget was a big concern as the deficit of 1392 budget had to be carried over to 1393 and as a result the government might had fallen short of cash for the budget execution would automatically affected budget execution for 1393, i.e. if the ministries managed to speed up their budgets execution.

MoF had targeted USD 2.36 billion (AFN 123 billion) domestic revenue for 1392 but collection for the first nine months was quite low, thus the target was brought down to USD 2.18 Billion (AFN 114 billion). The 1393 revenue target predicted only an increase of about 8percent if compared with initial target of 1392. However, if compared with revised target of 1392, there was an increase of 16percent, which is still considerably low. In addition, our assessment shows that the government will not perform up to mark on its revenue collection and will not be able to achieve the sat target.

In 1393 the donor funding amounted to USD 5.112 billion (AFN 286.302 billion) which was 64 percent of the total core budget. *Donor's share in operating budget was USD 2.682 billion (AFN 150.239 billion) which is 51 percent and mostly allocated for security sector. Donor's share in development budget was USD 2.49 billion (AFN 136.062 billion) which constitutes 49 percent of the budget* (EPD, 1392 National Budget Review 2013).

If we compare donors commitment for 1393 in comparison with 1392 which was USD 4.144 billion (AFN 215.506 billion), we observed almost a billion dollar increase in donors funding, which formed a 23 percent increase and major portion of this increase was allocated for security sector's ordinary budget, besides security sector, there was also increase in non-security sectors development budget. However ministries were still not able to execute their development budgets according to the plan.

Estimated Allocations for 1393

Table: Below 1393 national budget distribution by sectors

N o	Sectors	In (000) USD			Total Percentag e	Ordinar y Budget	Developmen t Budget
		Ordinary Budget	Developmen t Budget	Total			
1	Security	3,135,400	219,464	3,354,864	42	64	7
2	Infrastructure & Natural Resources	58,448	1,077,812	1,136,260	14	1	36
3	Education	636,230	386,985	1,023,215	13	13	13
4	Agriculture & Rural Development	35,018	625,237	660,255	8	1	21
5	Health	45,093	285,016	330,110	4	1	9
6	Good Governance	232,112	93,968	326,080	4	5	3
7	Economic Development	49,772	153,730	203,502	3	1	5
8	Social Protection	43,978	21,689	65,667	1	1	1
9	Contingency Codes	688,060	144,000	832,060	10	14	5
	Total	4,924,110	3,007,901	7,932,012	100	100	100

Security sector received 42percent of the total budget followed by infrastructure, education, agriculture & rural development sectors receiving 14percent, 13percent and 8percent respectively. On the other hand, allocation under ordinary and development budgets for education sector decreased compared to1392. Despite our concerns in the reviews of national budget for1391 and 1392, allocation for health and social protection sectors still remained low.

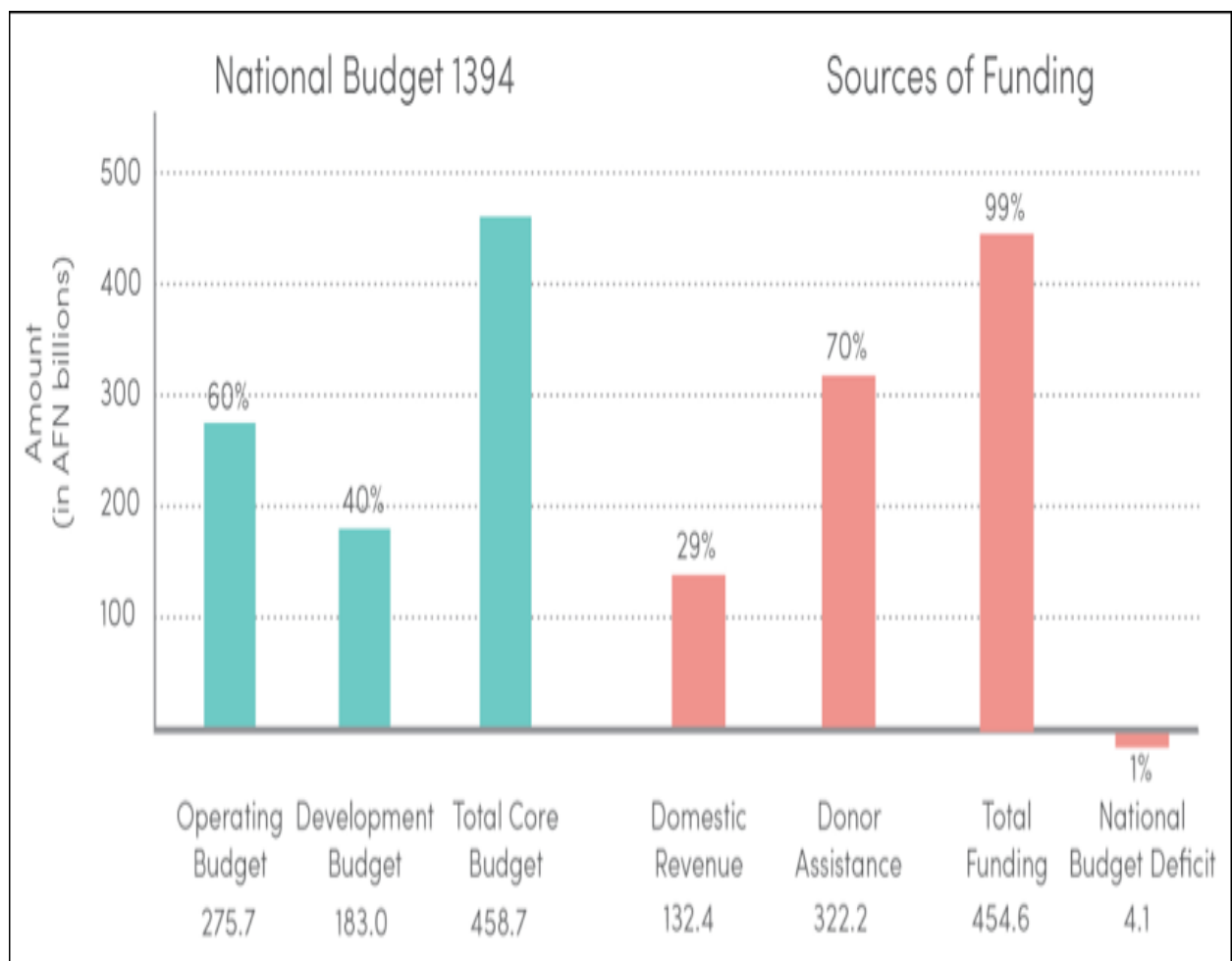
Afghanistan National Budget 1394

The proposed budget for 1394 was USD 8.048 billion (AFN 458.751 billion), which was 7percent higher in comparison to the 1393 budget of USD 7.641 billion (AFN 428.38 billion).

The national budget was funded through domestic revenue, donor's assistance, and loans. Domestic revenue for 1394 was projected at USD 2.323 billion (AFN 132.424 billion), constituting 29percent of the national budget. For 1394, international donors have committed USD 5.652 billion (AFN 322.192 billion), which constitutes 70percent of the overall budget for 1394. However, there was a budget deficit of USD 72.5 million (AFN 4.134 billion), which amounts to only 1percent of the national budget, down from a 6percent deficit in 1393.

In the 1394 budget, USD 4.837 billion (AFN 275.749 billion) 60percent of the proposed national budget was allocated for the operating budget, and USD 3.210 billion (AFN 183.002 billion) 40percent was allocated for the development budget.

Figure: Budget Allocation of 1394 for Both Ordinary and Development Budgets



Estimated Resources

The government's revenue target for 1394 was USD 2.323 billion (AFN 132.424 billion). MoF has estimated that 78percent of the domestic revenue will be generated through taxes. Of this, 35percent was estimated from revenue taxes, 20percent from taxes on international trade, 17percent from domestic goods and services, and 6percent from other taxable revenue. 22percent of domestic revenue was estimated from domestic non-taxable revenues. Of this, 1percent was estimated from fuel transit, 1percent from railway, and 19percent from other non-taxable revenues.

As of the end of the third quarter of 1393, the government had only collected AFN 50.938 billion AFN. 61percent below the target of AFN 132.000 billion for the year to date. They had only collected AFN 24.451 billion in taxes, AFN 12.144 billion in customs duties and fees, and AFN 8.037 billion from income from capital property, sales of goods and services, administrative fees, royalties, non-tax fines and penalties, and the extractive industry. The target for 1394 was only AFN 424 million higher than the 1393 target for domestic revenues. Considering the low level of collection for the first nine months, it was again unlikely that the government will perform up to mark on revenue collection and achieve the set target. The GIROA has been consistently missing its domestic revenue targets over the last years, being under target this fiscal year and having missed the target with 7percent for 1392. It should also be noted that the low level of revenue collection in 1393 can be considered an outlier as the months-long political crisis brought the economy to a standstill.

For 1394, international donors have committed USD 5.652 billion (AFN 322.192 billion), which constituted 70percent of the overall budget for 1394. USD 2.635 billion (AFN 150.225 billion) was allocated to the operating budget through the Combined Security Transition Command-Afghanistan (CSTC-A), Afghanistan Reconstruction Trust Fund (ARTF), and the Law and Order Trust Fund for Afghanistan (LOTFA). USD 3.017 billion was allocated to the development budget, which included new projects and budget carry-over from the 1393 development budget that was not spent in 1393. In the donor's share of the development budget, USD 180 million (AFN 10.260 billion) was allocated as discretionary assistance, USD 2.758 billion (AFN 157.197 billion) in non-discretionary assistance, and USD 79 million (AFN 4.509 billion) in loans. Compared to 1393, this represented a 10percent increase in on-budget donor commitments from the USD 5.112 billion (AFN 286.302 billion) committed in 1393. Though this was an increase from 1393, the increase was lower than the

23percent increase in donor assistance from 1392 to 1393(EPD, Independent Review of National Budget (DRAFT) 2015).

Budget Resource Allocation 1394

The proposed operating budget for 1394 was USD 4.837 billion (AFN 275.749 billion), constituted 60 percent of the proposed national budget. In monetary terms, the operating budget had decreased by USD 83 million (AFN 4.723 billion) from 1393, constituting a 1.7percent decrease. It had a 5 percent lower share of the overall budget than in 1393. Based on budget codes, 56percent of the operating budget for 1394 was allocated for wages and salaries (Code 21), 29percent for goods and services (Code 22), 4percent for acquisition of assets (Code 25), and 11percent in contingency codes.

Table: Budget Resource Allocation 1394

No	Sectors	In (000) USD			Total Percentage	Operating Budget	Development Budget
		Operating Budget	Development Budget	Total			
1	Security	3,216.951	353.136	3,570.088	44%	66%	11%
2	Infrastructure & Natural Resources	110.443	1,032.646	1,143.089	14%	2%	32%
3	Education	631.493	333.764	965.257	12%	13%	10%
4	Agriculture & Rural Development	33.475	782.662	816.137	10%	1%	24%
5	Health	48.981	319.597	368.578	5%	1%	10%
6	Good Governance	347.870	17.419	365.289	5%	7%	1%
7	Economic Development	224.642	29.044	253.668	3%	5%	1%
8	Social Protection	50.738	149.688	200.426	2%	1%	5%
9	Contingency Codes	173.128	192.602	365.730	5%	4%	6%

	Total	4,837.703	3,210.559	8,048.262	100%	100%	100%
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The proposed development budget for 1394 was USD 3.210 billion (AFN 183.002 billion), constituting 40 percent of the proposed national budget. In monetary terms, the development budget has increased by USD 616 million (AFN 35.096 billion) from 1393, constituting a 22percent increase. It has a 5 percent higher share of the overall budget than in 1393.

88.4 percent of the development budget is for non-discretionary projects and 11.6 percent for discretionary projects, which means a 22.4 percent reduction in discretionary funding compared to the 1393 development budget. This demonstrates that while donors are providing more on-budget support to the Afghan government, they are providing less discretionary funding for development budget.

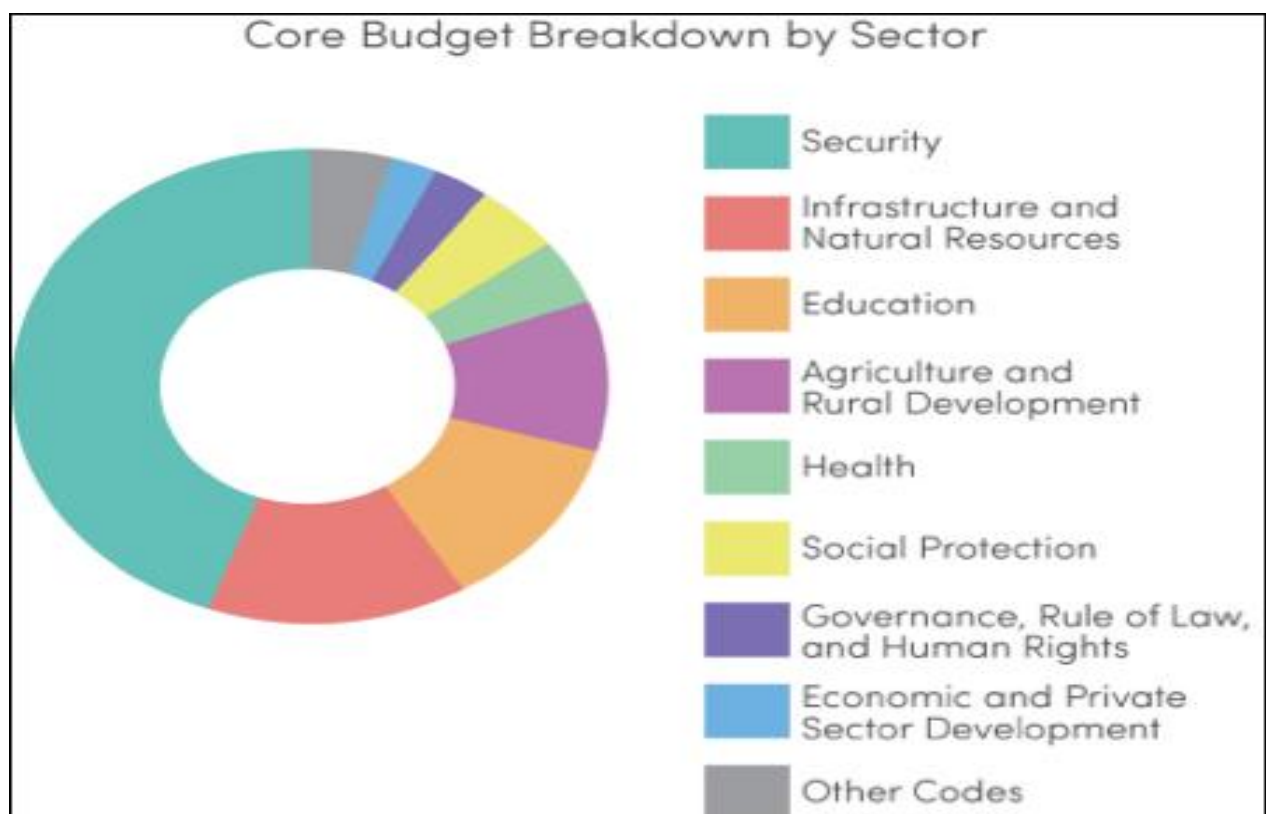
Table: Comparing the 1393 and 1394 Budget

Sectors	1394 & 1393 Allocations			1392 & 1393 Budget Execution					
	In USD Millions			Operating Budget execution percent		Development Budget Execution percent		Difference Between 1392 & 1393 Budget Execution	
	Difference Between 1393 & 1394 OB and DB		Difference Between Total 1394 & 1393						
	OB	DB		1392	1393	1392	1393	1392	1393
Security	+9.58	+184.79	+194.38	87	61	44	8	-26	-36
Infrastructure & Natural Resources	-31.18	+91.65	+60.47	93	65	58	31	-28	-27
Education	-18.64	-3.40	-22.05	99	80	41	33	-19	-8
Agriculture & Rural Development	-1.54	+227.6	+226.14	92	80	76	70	-12	-6
Health	-17.56	+57.78	+40.21	99	79	41	48	-20	-7
Social Protection	-48.78	-4.30	-53.09	99	87	65	20	-12	-45
Governance & Rule of Law	-11.60	-54.36	-65.97	95	82	42	17	-13	-25
Economic & Private Sector Development	+0.48	+25.94	+26.42	96	80	75	32	-16	-43
Other Codes	-51.47	+43.60	-7.87	-	-	-	-	-	-
Total	-170.74	+569.38	+398.65	95	77	55	32	-13	-23

The above table illustrates the difference in allocations from 1393 to 1394, and the budget execution rate by sector from 1392 to 1393 (through 15 November 2014). While allocations increased in the security, infrastructure and natural resources, agriculture and rural development, health, and economic and private sector development sectors, performance in

terms of budget execution for each of these sectors was poor. The social protection sector dropped in budget execution by 45percent from 1392 to 1393, infrastructure and natural resources by 27percent, security by 36percent, and economic and private sector development by 43percent, though some of these gaps will likely narrow when accounting for budget execution in the fourth quarter of 1393. Budget execution rates only dropped slightly in the health and agriculture and rural development sectors. This figure illustrates that while the budget increased from 1393 to 1394, the budget allocations do not align with the actual capacity of each sector to execute their budget. However, as discussed in section 3.3, as of the third quarter of 1393 though 94percent of the operating budget had been allotted, only 50percent of the development budget had been allotted, indicating that the low execution rate in the development budget is likely due to a combination of capacity on behalf of the sectoral ministries and allotments from the MoF at the central level (EPD, Independent Review of National Budget (DRAFT) 2015).

Figure: Budget Breakdown by Sector



Public Expenditure Pattern in Afghanistan

Apart from all the considerations mentioned above, the situation in Afghanistan is unique, at least from a public finance perspective. Normally, the donor-provided resources are earmarked primarily for capital expenditure, and the recipient country has a large degree of control over such expenditure. This is not the case in Afghanistan. At present, the bulk of donor-provided assistance is represented by the security budget, most of which seems to relate to expenditures of a current or an operating nature. (The study has not yet obtained the detailed information). Also, the donor-provided resources for capital expenditure that are accounted for as non-discretionary development budget (about 1 USD billion for 2011/12) are not included in the more than 4 USD billion that is generally estimated as the size of the external budget. (The study does not have access to details about this, either.) Therefore, it is unclear how much is currently being spent on capital expenditure.

In view of the above, reliance on the capital expenditure as a major contributor to economic growth, and to future capital formation and revenue generation has to be tempered, given the current priorities of the donors that have control over the bulk of such expenditures. Also, there is insufficient accounting for all of those expenditures in terms of additions to infrastructure and other assets that constitute public property in Afghanistan. Furthermore, as stated elsewhere in the report, the constituents for accounting and accountability for these resources are the donors' governments. Information on prior and continuing capital expenditure is a foundation for making projections of future expenditure. A direct consequence of the lack of comprehensive accounting is that forecasting and planning for capital expenditure cannot be realistically undertaken. Plus, projections cannot be relied upon to provide sufficiently reasonable and/or meaningful outcome that would result in effective expenditure of resources through an informed decision-making process.

In the case of current study, existence and availability of the accounting for capital expenditure and public property creation is a pre-requisite to providing quantifiable responses to the problems raised from budgetary prospective of the country.

In particular, with respect to the development of policies and strategies that would determine the pattern of future capital expenditure, such information is indispensable. The information that such an accounting will produce is a necessary input into developing projections over the five, ten, and/or twenty year horizons. For example, projections can be relied upon to make decisions in the allocation of resources to different priorities.

Security is and remains a priority. Therefore, the availability of fiscal space to spend on security could be defined as the impact on economic growth for resources allocated to security. —How much needs to be spent will clearly be a function of the conflict scenario that one would expect to prevail. There are many studies on conflict scenario analysis, as referred to above (c.f., conflict scenario analysis). There are also wide differences between the results of those studies on the loss of economic growth — due to the type of conflict, the timing, and the period of those conflicts, as well as the actual circumstances and country that was involved in that conflict. Those studies cannot be simply extended to the situation in Afghanistan. However, those studies, in general, tend to define a number of different scenarios, primarily low, medium, and high conflicts.

In general, Afghanistan is currently considered a high-conflict situation. The conflict has a major and substantial effect on economic activity and its growth. Accordingly, it would not be practical to measure the impact on other expenditures, unless the level of conflict is defined. In a similar manner, it would not be practical to define a minimum that beyond which expenditure can be allocated to security. The fiscal space to be available for security can therefore be considered within the perspective of the contribution that components of each of the expenditures, both operating and capital, make to the economic growth. This approach would respond to:

- The contribution to growth from security expenditure may not currently be a more major priority.
- The expenditure on security should be considered more a part of the solution rather than in competition with other expenditure that seem to contribute to economic growth.

Relationship between the Budgets

The budgets that are the main focus of the study are the national budget, the external budget, and the security budget. All these budgets have (or seem to have, in the case of the external budget) both elements of expenditure (i.e., of an operating and a capital nature).

Table below is intended to provide the relationship between the budget classifications and main budgets, as well as the transfers to the government budget. This clarification is helpful, in particular, in an analysis of fiscal sustainability, especially because the donor-funded

resources in the GIROA budget have been reclassified over the past many years(USAID, Afghanistan Revenue Expenditure Scenario Analysis 2011).

Budget Classification and/or Content		Types of Budget	
1. National Budget/GIROA		2. External Budget/Donors	3. Security Budget/CSTC-A /NTM-A
Operating Budget			
a.1 Receipts/sources of donor-provided funds		Includes domestic revenues; excludes donor-provided support	
a.2 Operating expenditure(s)		Includes expenditure that will be met either through domestic revenues and/or donor-provided resources	Major transfers to the government’s operating budget
Financing of the operating budget	Information on donor funds to each line item in the budget was not totally available	Projections for major transfers to the government as general budget support, if applicable	Projections for major transfers to the government as general budget support, if applicable
Development Budget			
b.1 Sources of funds, and/or financing			
b.2 Development/capital expenditure(s)	A large portion of capital expenditures represent projects that are under the control of donors and are reported in the government’s non-discretionary development budget	The relationship between the overall estimate of the external budget and amounts recorded in the development budget is unclear.	Major transfers to the government’s budget

Achievement of Fiscal Sustainability

In its narrow definition, fiscal sustainability is attained when operating revenue matches operating expenditure in the national budget. Based on and strict application of this definition, fiscal sustainability may be achieved within the next few years — based on a review of the IMF analysis, it projected sustainability to occur in 2017/18.

This, in itself, should not bring solace to donors and automatically pave the way for substantial reductions in the donor-provided support. Currently, domestic revenues represent about two-thirds of the operating expenditures for 2011/12. However, they represent only about 12 percent of the all the available resources spent on public expenditure in Afghanistan. A substantial part of those resources cover expenditure that is considered and classified as operating expenditure. For instance, the bulk of expenditure on security that is paid directly by the donors is an operating expenditure. Many of the other major considerations are presented as findings, further below.

Based on the IMF projections, the main contributors to major growth in domestic revenues will be from the introduction of the VAT, the tax and non-tax revenues from large-scale mining, and measures that, altogether, will result in more effective tax assessment and collection activities.

The structure of the national budget has changed significantly in the past six years.

Total government expenditures in nominal terms increased by more than seven times from AFN 15.5 billion (US\$0.3 billion) to AFN 135.6 billion (US\$2.6 billion) between 2002/03 and 2009/10. Concurrently, domestic revenues (excluding grants from donors) increased by almost 1,000 percent. The expansion of both domestic revenues and expenditures has been outpacing that of GDP. In terms of shares in GDP, domestic revenues increased from 3.3 percent to 9.4 percent, and total core budget expenditures increased from 8.6 percent to 20.2 percent.

Core budget expenditures consist of operating and development expenditures. In 2002/03, the first full year of post-Taliban Afghanistan, there were no development expenditures and even in 2003/04 core development expenditures accounted for 27 percent of total expenditures. The share of core development expenditures increased to 35 percent in 2009/1000, reflecting the country's reconstruction needs and improvements in spending capacity(DFID 2010).

2002/03		2005/06		2009/10		%GDP Recent Trend
Af	%GDP	Af	%GDP	Af	%GDP	
Domestic Revenues	5.9	3.3 %	28.8	7.5 %	63.3	9.4 %
Core Budget Expenditures	15.5	8.6 %	54.2	16.8 %	135.6	20.2 %
Operating Expenditures	15.5	8.6 %	32.0	9.9 %	88.0	13.1 %
Development Spending	0.0	0.0 %	22.2	6.9 %	47.6	7.1 %
Operating Budget Balance (excl. grants)	-9.7	-5.4 %	-11.3	-3.5 %	-24.6	-3.7 %
Core Budget Balance (incl. grants)	2.4	1.3 %	-2.9	-0.9 %	-22.0 (08/09)	-3.7 %
External Budget	52.2	29.1 %	209.7	65.1 %	208.7 (08/9)	35.0 %

Public expenditure per capita is equivalent to other low-income countries.

Due to the significant increase in public expenditures, public expenditure as a share of GDP in Afghanistan is larger than low-income and South Asia countries. However, the level of public expenditure remains a key issue as a higher share in GDP reflects the low GDP level, and security sector's share of expenditures is large. Per capita public expenditure (excluding security) is equivalent to other South Asian countries, though higher than average low-income countries.

Given the importance of public expenditure in achieving national objectives including the reconstruction of infrastructure and improvements in public service delivery, the level of public expenditure seems insufficient. Increasing fiscal space through domestic resource mobilization, absorbing available resources by increasing core development budget execution rates and improving the efficiency of public expenditure prioritization are equally essential.

Afghanistan's domestic revenue-to-GDP ratio remains among the lowest in the world

Despite significant improvements earlier in this decade and it would be even lower if the drug economy were included in GDP. The average domestic revenue-to-GDP ratio of low-income countries and South Asia was about 13 percent in 2006. Although the challenges Afghanistan face are different from those of other countries, domestic revenues equivalent to between 12 percent and 13 percent of GDP can be a medium-term target. Currently, domestic revenues have been sufficient to cover only 45 percent of total core expenditures. The operating budget deficits and core development expenditures are all covered by donors. Afghanistan's immediate target is therefore to cover the core expenditures with domestic revenues (See Section E on fiscal sustainability)

Revenue composition significantly changed

The change in revenue composition demonstrates good progress on income tax reform, but improving the collection of customs duties remains a significant challenges. Between 2003/04 and 2008/09, total domestic revenues increased by more than 300 percent, though growth rates by major categories are uneven. While income tax increased by 22 times, customs duties only doubled. Income tax collection accelerated, especially in 2006/07 as LTOs became fully operational. By contrast, customs duties and non-tax revenue collection (including administration fees and sales of goods and services) shows room for improvement.

Public Expenditure Trends Key Findings

- The role of public expenditure significantly increased in the past several years as core national budget expenditures rose from 9 percent of GDP in 2002/03 to 20 percent in 2009/10.

- The domestic revenue-to-GDP ratio increased to 9.4 percent in 2009/10. Afghanistan's ratio remains lower than other low income countries. Income tax revenues increased considerably, mainly due to the operationalization of Large Taxpayers Office (LTO), while those of customs duties stagnated. Transfers of administration fees from line ministries to the Treasury Single Account could potentially increase domestic revenues. The introduction of two percent BRT on imposts with the enactment of the amended income tax law and revenues from state fuel company contributed to the increase in 2009/10.
- Key policy recommendations are, (i) smooth implementation of new tax measures; (ii) adequate resource allocation for the revenue and customs departments; (iii) operationalization of LTOs and Medium Taxpayers Offices (MTOs) in provinces; (iv) improvement of the domestic revenue policy formulation framework, and (v) introduction/operationalization of the Standard Integration of Government Tax Administration System (SIGTAS).
- Afghanistan's expenditure structure is dominated by the external budget (off-budget) that accounts for about three quarters of total expenditures. Security consumes about 60 percent of the national expenditures followed by infrastructure in the past several years. The security and education sectors account for more than 80 percent of government employees and are the largest sources of core operating expenditures. The low execution rate of core development expenditures has negatively affected development. On average, the undisbursed core development budget amounts to 9 percent of GDP. In terms of equity of core expenditures, imbalances measured by per capita income were observed in both operating and development expenditures across provinces. Improving the quantity/quality of data on external budget expenditures should be a priority.
- Low core budget deficits (after grants) have contributed to macroeconomic stability. However, the increase in the core budget deficit in 2008/09 is of great concern, and MoF will need to manage cash flow more carefully.

- Progress towards fiscal sustainability (i.e. domestic revenues fully covering operating expenditures) has fallen far behind earlier expectations, though it improved in 2009/10. The indicator deteriorated from 66 percent in 2007/08 to 60 percent in 2008/09 due to the combination of lower revenues and higher operating expenditures, then it improved to 72 percent in 2010. Furthermore, prospects for achieving fiscal sustainability have further deteriorated. The March 2008 Medium Term Fiscal Framework (MTFF) projected fiscal sustainability would be achieved in 2012/13, but the July 2009 MTFF projects a fiscal sustainability rate at 73 percent in 2012/13. Significant upward revision of security expenditures (mainly due to Afghan National Army (ANA) and Afghan National Police (ANP) salary increases) is the main cause for the deterioration. Key risks affecting future fiscal sustainability is, (i) Domestic Revenues; (ii) further increase in security sector expenditures, and (iii) implementation of Pay and Grading (P&G) reforms. Accelerated implementation of P&G would raise P&G costs by more than 60 percent in both 2009/10 and 2010/11.

Risks & Gaps Associated within Afghan National Budget and Sectoral Expenditure pattern

The report has found a 10-25 percent gap in budget allotment and public expenditure by different government agencies.

This is when, the gap has been decreasing as government agencies are performing more effectively and are implementing more projects for development purposes. The above table illustrates the difference in allocations from 1393 to 1394 and the budget execution rate by sector from 1392 to 1393. While allocations increased in the security, infrastructure and natural resources, agriculture and rural development, health, and economic and private sector development sectors, performance in terms of budget execution for each of these sectors was poor. The social protection sector dropped in budget execution by 45 percent from 1392 to 1393, infrastructure and natural resources by 27 percent, security by 36 percent, and economic and private sector development by 43 percent, though some of these gaps will likely narrow when accounting for budget execution in the fourth quarter of 1393.

On the other hand, allocation under ordinary and development budgets for education sector decreased compared to FY 1392. Despite our concerns in the reviews of national budget for FYs 1391 and 1392, allocation for health and social protection sectors still remained low.

Within the sectors, there was massive infusion of assistance in security, which constituted more than 53 percent however instead the development budget for infrastructure and social sectors was decreased. While the government had managed to attract significant on budget support for security sector, for two of the non-security sectors, on budget support had massively decreased.

Operating Budget Execution Risks:

- Prompt increase in government tashkeel, particularly in security sector
- High salary skills in government offices
- High expenditure of projects with low economic importance
- Large increase in cost of maintenance infrastructure and new equipment especially in military sector
- Large expenditures of retirement rights (military, civilian, disabled and martyrs)

- in appropriate expenditure costing and financial analysis based on out of budget process
- increase in number budgetary units at provincial level independently with the same functions and activities
- daily increasing expenditure in discretionary codes (91, 95 & 99)
- utilization of PRR & pay and grading systems for increasing salary, not for proper reform of organizational structure (tashkeel)

Development Budget Execution Risks:

- Filling the donation gaps during transitional process
- Scattered and non-ready projects (Sleeping Projects) with unrealistic cost estimates and completion time
- Inappropriate, before time, and unseasonable control of process by auditory offices
- Including non-ready projects, without feasibility studies by parliament and cabinet
- Low capacity in number of line ministries and almost all of the contractors
- Not enough details on donation solutions (discount loans, collaborative projects, sale of property &etc.)
- Limited resources for new provincial budgeting approach

Measures:

- Introducing estimating transitional budgeting system
- Start the procurement process of projects after approval of budget submission by national assembly and cabinet
- Introducing provincial budgeting approach
- Introducing budget performance evaluation and reporting system
- Introducing financial and procurement plan
- Establishing internal budget committees in line ministries
- Monitoring of 14 key spending line ministries' development budget (with 87percent)
- Monitoring of 50 national large developmental budget projects (60percent)
- Developmental budget reporting to cabinet twice a month

- Ensure financial planning process, revising the FP base on realistic and accurate expenditure figures for next year
- After cabinet approval budgetary units can start their projects procurement process in order to save the time, but commitment and contract sign or awarding will be done after national assembly's approval
 - Those budgetary units having engineers in their tasheekls are not required to reference to MoUD to visa their construction issues.
 - Ministry of finance is not responsible to pay or reimburse those expenditures that are against PFML
- Adjustments of funds from economical codes are in MoF authority
- No budgetary units are allowed to commit or sign contract of goods and services above their dedicated approved budget ceiling
- Following minor object codes are not adjustable (electricity, water, communication charges, vehicle maintenances, repair and maintenance of buildings)
- Increase in salary/ wages of civil service or military that conflicts national budget are not executable
 - All government civil servants are not allowed to officially work at the same time in two agency
 - Before committing overtime on construction contracts, official agreement is necessary.
 - Special procurement unit of Ministry of finance is not allowed to delay on paper work of contracts without any specific or reasons more than 15 days
 - Ministry of finance is required to response any kind of official letters or official issues being requested by other agencies within one week.
 - Those projects with no improvement within 2 years should be omitted immediately from the list
 - All budgetary units are required to involve MoF in any kind of commitments and negotiations with Donors
 - Budgetary units are not allowed to perform or execute any verbally commitment through donors, until they don't get official agreement on commitment or contract
 - All commitments and contracts within country needs to be signed in afghan currency while if it is out of country it could be exceptional.

- All budgetary units are required to submit their quarter performance report to MoF and MoEc

Recommendations

There is no end in sight for Afghanistan's fiscal crisis. Marginal improvements are possible but will not resolve the crisis. Major progress would only be possible if the Afghan government and international partners strongly prioritize bringing about a fiscal turnaround and the government engages in bold actions with proactive international support. Given the ongoing conflict, the internal politics of the NUG and its slow start, the ambitious political agenda in the NUG agreement, which is likely to pre-empt attention, and the considerable obstacles to taking bold initiatives on both sides, it seems doubtful whether the government and international partners would take the proactive, inevitably somewhat risky actions required. In that case, however, the fiscal outlook will be for more of the same.

Serious expenditure prioritization, including strategic rather than merely ad hoc cutbacks, would require hard decisions and a high level of political will in the administration and in the legislature, which seems unlikely in the current political situation.

Major acceleration of on-budget aid—by shifting large amounts of bilateral assistance already in the pipeline to the Afghanistan Reconstruction Trust Fund or direct budget support—would make a real difference and provide fiscal space for investments by the government in Afghanistan's development. However, donors most likely would be reluctant to engage in such front-loading and on-budgeting of aid, except perhaps if the government boldly moves forward with reforms and meaningful structural fiscal measures. While most of the government agencies had not been able to execute their budgets, we recommend that government agencies shall be more practical in developing their FY budgets and numbers of to be implemented project for the cause.

- During budget negotiation, not only expenditure is important but financial resources are also compulsory.
- During negotiation on budget the midterm to long-term impacts should also be considered
- During budget negotiation sectorial prioritization should be strictly considered
- Projects should be considered based on their economic impacts and its outputs

- More attention and focus should be taken on expenditure and avoid unnecessary expenditures
- Budget requires deep and better negotiation
- The budget should not be considered only for MoF
- As international donation and commitment are daily decreasing, therefore there should be a solution for fundraising on fundamental projects
- The culture of maintenance of existing properties should be improved rather than executing new projects

What are the low budget execution reasons (Challenges in the budget execution)

- Security in the rural area, where most infrastructure projects like road, power and irrigation projects implementing.
- Low capacity in the line ministries and private sector
- Lengthy donor process like taking NoL in each step of the procurement.
- Late approval of the budget
- Poor project design and lack of the monitoring mechanism
- Centralization of the power in the central ministries.
- Imposing of the projects by the parliament and ministers council without preparation and detail study.
- Lengthy procurement and other government bureaucratic process
- Turnover of the technical staff
- Budget deficit in discretionary resources.
- No disbursement of the committed funds by the donor during the financial year.
- Too much investigation by the anti-corruption organization, even before finalization of the procurement process

What is Corruption?

Developmental theories have always different definitions of corruption. Corruption is a social phenomenon that is experienced in different natures by different institutions. More often we meet different people of different backgrounds thinking about the cause-roots of corruption in different ways. We can say that all of them are correct to some extent.

Most of the works focusing on corruption differentiates themselves in the definition they provide of corruption in their academic papers. Several essays use bribery as the core definition of corrupt act. As far as Afghanistan is concerned, here [bribery], also commonly known as RISHWAT, SHRINI, PAISE CHAI, BAKHSHISHI, SHUKRANA and KUMAK is considered the common types of acts of corruption.

Corruption can be easily defined as “Abuse and misuse of entrusted authority for illicit and illegal benefits and gains”(Transparency 2014).

Corruption in general is known as FESAD in Afghanistan.

Most of the time we meet people thinking that corruption or in other words FESAD is the developmental problem of the modern society. This is because not a single society or institution is free of corruption in modern world. This is also because these people think of corruption a moral problem. Such group of people sometimes complain about the corruption they face in their daily life, and also fail to find the essential root-causes and therefore fail to recommend the possible policy measures and recommendations of its elimination.

When a citizen bribes a public or government service officer to get his or her attention for a special treatment and best quality low-time-consumed service, Afghans would usually say he or she has corrupted the government or public official. This is termed as “Agency Theory” approach to analyse corruption.

There is also another approach to define and study the nature of corruption in any institution in general and in Afghanistan in particular. This approach is known as “Rent Seeking”.

In the rent seeking approach, when a party say costumer, pays a higher price for a quality service, which in some extent brings him higher levels of satisfaction because of his social exclusiveness, social scientist and developmental theorists would like to say that this is not

corruption and this is a process of entering the exchange market and for higher level of satisfaction in terms of social advantage over other societal agents.

In Afghanistan individuals, while paying a small or huge sum of money to government official, either on demand or not in order to get benefited from a quality service public sector provide, consider it corruption. But while paying higher prices in order to get higher levels of satisfaction due to social exclusiveness, they consider it as a social opportunity of prestige and honour NOT corruption.

In this research report, [BRIBERY] is used as a suitable term to describe corruption in Afghanistan. Bribery is a particular price paid by a social agent aiming to be benefited from a particular service government or public sector actor is providing for another social agent.

Corruption in Afghanistan

Corruption in Afghan policy papers such as in Afghan Anti-Corruption Strategy, defined as “the abuse of public position for private gain” is a significant and growing problem across Afghanistan that undermines security, development, and state- and democracy-building objectives. Pervasive, entrenched, and systemic corruption is now at an unprecedented scope in the country’s history. Thirty years of conflict that has weakened the underdeveloped state institutions and the country’s social fabric, Afghanistan’s dominant role in worldwide opium and heroin production, and the tremendous size and diversity of international security, humanitarian and development assistance all increase Afghanistan’s vulnerability to corruption (Checchi and Company Consulting March 2009).

Corruption in Afghanistan has always been a treat to the socio-economic development strategies of government. This unethical social phenomenon, has been affecting serious international humanitarian developmental aid stream in the country. In Afghanistan corruption is the result of unjustified will and struggle to gain political and economic power. The election dilemma of 2014 and the possible corruption stories narrated by international media would provide much information on the subject for the further researches (Jessica Donate 2014).

More than three decades of continues war have already destroyed public and private institutions in Afghanistan. Since the establishment of new democratic government in 2001 soon after the Bonn Agreement, Afghan government has been trying to develop institutions and several government departments across the country. The problem of lack of effective and

sufficient government authorized institutions have been responsible for the increment of corruption in Afghanistan.

Poor rule of law and dysfunctional judiciary system in Afghanistan was among the influential factor, making Afghanistan an extreme top country in the list of corrupt nations in the world(PASQUALI 2015). Ashraf Ghani, president of the National Unity Government (NUG) in his presidential opening speech in 2014 said “Afghan Judiciary branch is among the most top corrupted government institutions in the country”. Among all, MoF, Municipals Authorities, Police and judicial branch are the most corrupt government institution(A. C. Center 2009).

Three decades of war, created mass unemployed population. Joblessness, household poor economic conditions, has encouraged public towards corruption as only source of supplementary income. 69 percent of Afghans have already reported such bribery as corruption to the authorities (A. C. Center 2009).

Corruption in Afghanistan is legitimately monitored by the independent High Office against Corruption, Islamic Republic of Afghanistan.

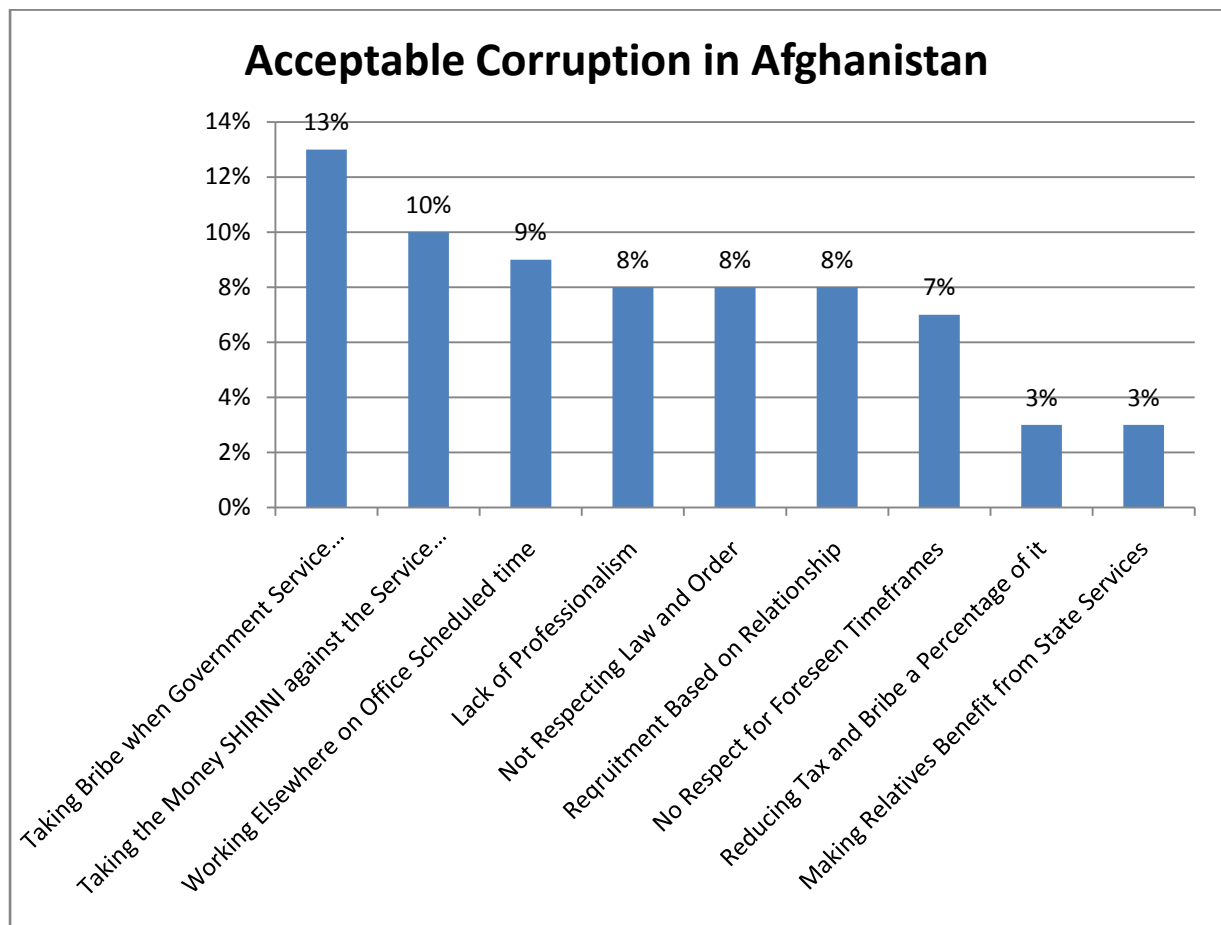
Since collapse of the Taliban regime, Afghan government is establishing or even has already established institutions and government bodies to combat corruption in various nature and kinds.

Corruption in Afghanistan is a positive function of foreign Aid.

Corruption in Afghanistan can be categorized as corruption in the State and corruption in Aid. Afghans have different perception on these two different types of Corruption in Afghanistan. More than 69.5 percent of Afghan has experienced corruption in the state affairs while corruption in Aid is reported by 60 percent of Afghan around 40 percent is lost in corruption by foreign employees(IWA).

In Afghanistan the nature of corruption is further studied as “Acceptable Corruption & Unacceptable Corruption”.

Figure: Rate of Acceptable Corruption in Government Agencies and its Nature



Most of the Afghans believe that prevailing corruption in the country is out of poverty. Poverty and lack of employment security, is main root cause of corruption in Afghanistan.

Corruption in Afghanistan is classified into two different categories namely; ACCEPTABLE and UNACCEPTABLE.

- Acceptable Corruption
- Unacceptable Corruption

The diagram below shows the trend of cases of bribe (CORRUPTION) included in acceptability and unacceptability criterion of the phenomenon.



- Corruption to Help People
- Corruption Due to Poverty
- Corruption to Accelerate Government and Donor agency Services
- Corruption to Help Relative and Friends



- Corruption to Cover Crimes
- Corruption to get Propriety
- Corruption to Hide Illegal Acts
- Corruption to Orient Courts

The acceptability and unacceptability of bribe or simply say corruption is related to general interest. But the clientelism is tolerated (A. C. Center 2009).

Corruption in Afghanistan is considered as a low risk undertaking and impunity and its forms have created dilemmas between formal and informal accountability. 70 percent of Afghans believe that government's will as well as ability is weak to effectively address corruption. It is

believed that donor agencies and international community have also not put their full support and sufficient attention towards corruption elimination in the country.

Building Legitimacy of Government and fight against Corruption in Afghanistan

The reconstitution of a legitimate set of political arrangements has been one of the key objectives of the post-2001 political transition in Afghanistan. Legitimacy itself is a complex idea, and historically Afghanistan has experienced lengthy periods of rule based on non-legitimate forms of domination. The data from the 2008 survey present a mixed picture, with scepticism about politicians, parties, and the justice system, together with widespread perceptions of corruption, being counterbalanced to some degree by positive views of democracy, the national government, ministers, and key security sector institutions. Nonetheless, while some findings may seem encouraging, it is important to note that some respondents may have been less than candid, that the approaching elections may prompt some divisive legitimization strategies, and that the future of the state depends on capacity as well as legitimacy (Foundation, State Building, Security and Social Change in Afghanistan 2008).

One of the serious principle goals of the new Afghan government soon after collapse of the Taliban Regime was to build and develop legitimate form of government in 2001. In some major interventions with the direct help of foreign experts, Afghans had shown very much remarkable achievements better than many have might had hoped. Drafting and ratification of new Afghan constitution, successful conduction of two presidential & parliamentary elections without major dilemmas are among remarkable achievements for a country that had fathomed as well as plumbed into the depth of international policy developmentISOLATIONS during the internal war and Taliban rule.

Corruption in Afghanistan has always been undermining government legitimacy. This is clear from surveys conducted by the Asian Foundation continuously. The data presented in the survey report suggests, 38 percent of the respondents believed that the government is going in the right direction in taking effective measures to combat corruption and build legitimate form of government. Meanwhile, 32 percent of the respondents also believed that government is not going on the right and well organized direction to fight corruption and is not taking effective steps to and also not utilizing sufficient fund in this regards. This worth mention that the figures must have raised significantly recently, as the gap between people and

government is being enlarged after the establishment of National Unity Government (NUG) in 2014.

The national survey conducted by the Asian Foundation in 2008, throughout Afghanistan suggests that corruption in Afghanistan is considered major, minor and not at all problem by respondents of the survey questionnaires in the field. 76 percent of the survey respondents significantly believe that corruption is a major problem, while 16 percent and 4 percent believed that corruption is minor and not a at all problems respectively(Foundation, State Building, Security and Social Change in Afghanistan 2008).

This shows that government has been coming short in developing effective policy measures to address corruption and terminate its root-causes at local and national level.

Table: Afghans Perception of Corruption as Problems at different rates

Circle of Corruption	Major Problem	Minor Problem	Not a Problem
	Percent (%)	Percent (%)	Percent (%)
Daily life	51	29	18
Neighbourhood	48	35	14
Local authorities	53	33	10
Provincial government	63	26	7
In Afghanistan as a whole	76	16	4

Corruption, defined as “the abuse of public position for private gain” is a significant and growing problem across Afghanistan that undermines security, development, and state- and democracy-building objectives (USAID, Anti-corruption Assessment Strategy 2012).

Thirty years of war in Afghanistan has weekend the institutions and its outreach across the country. Soon after the collapse of the Taliban rule, corruption especially bribery has become a major risk in implementing development projects. Corruption in Afghanistan has become a systematic, through a wider range of networks of corrupt activities and people that has been ultimately undermining good governance and rule of Law.

Corruption in Afghanistan has turned to an evil culture and this only because the corrupt individual is not brought to justice, while the other reason is often officials and agencies that are supposed to be part of solutions to encounter corruption, are instead a critical part of corruption syndrome.

Respondents in a survey conducted by USAID in 2015 (USAID, Practitioner's Guide for Anticorruption Programming 2015), believed, failure of Afghan National Police (ANA) Attorney General's Office (AGO) and court systems in Afghanistan are the major reasons of spread of corruption. In some case questionnaires the respondents have also noted that the Afghan National Police, Attorney General Office and court system is weak and their staffs are engaged in widening the network of corrupt activities in any kind and corruption itself across the country.

The "normal" sources and forms of corruption are related to weak institutional capacity of public administration; weak legislative and regulatory framework as well as weak enforcement of the laws and regulations; poor and/or non-merit based qualifications of public officials; low salaries of public servants; dysfunctional justice sector and insufficient law enforcement; the discretionary power of public administration; and the lack of complaint mechanisms and systems for public scrutiny and illegal profits through opium trade and cross border smuggling. The Afghan specific sources of corruption relates to the very large opium economy which is widely considered to be the most important source of corruption in the country, the large informal economy, as well as the unprecedented large inflows of international assistance and the pressures to commit development aid quickly, carry associated vulnerabilities to corruption (Afghanistan 2014).

Afghan Perceptions of Corruption

As Muslim society, Afghans condemn bribery in any kind. It's considered against all moral behaviours. Surveys and research reports show that, both civil servants and general public share the view that the salary which is being provided by the public sector is not sufficient and thus makes them opt to take bribe or even give bribe in some particular cases.

Afghans take actions against law, as an immoral corruption. In Afghanistan, acting against the Law for one's own benefit is considered highly immoral corruption.

Afghans have particular contempt for corruption related to the judicial system, the police, and the hiring and promotion of government employees (USAID, Anti-corruption Assessment Strategy 2012).

The justice sector in Afghanistan is highly believed to be the most corrupt sector. It is believed that justice in Afghanistan is being sold and also bought as a market commodity which is quite troublesome in a society where justice valued and honoured. The formal justice sector, the Afghan National Police, criminal investigators, prosecutors and judges have numerous points of openness to different types of corruption that are taken advantage of by the officials as well as citizens.

Police in Afghanistan is highly and frequently criticized by public for exporting bribery. The system of investigations, case preparations, case follow ups are aboriginal and make it possible for many cases to disappear in the very opening stages at offices of Police, CID, SARANWALI... etc. gathering evidence , crime scene documents on corruption are very difficult. This is because officials alleged to corruption create limitations on investigative procedures as well as highest possible levels of interferences by the informal community leaders and warlords. As far as corruption in judiciary branch of Afghan government is concerned, it is significantly believed that, SARANWALS are bought and sold by the influential individuals that alter in a way the court decisions as well as conviction and sentences. Following such scenarios prisoners are being released by bribed prison officials in very cases. Ministry of Interior (MOI) and Supreme Court procedures to fight corruption effectively are highly inadequate. Keeping in mind the problems stated above, some improvements are being made in Afghan Judicial system recently by the National Unity Government (NUG).

Most of the Afghans still believe that government official positions particularly higher ranked positions are being bought and sold. This is believed to be existing in police and crime related posts. Short as well as long sagas of such conditions are narrated by various media during past 14 year's democratic government. People in order to get employed in government positions, pay bribe in any types. Previously people used to use family connections, party relations and fraction were privileged to get job in public sector as corruption, but now they believe that money and direct bribe does the job and thus they buy employment opportunities.

Afghan Perceptions of International Aid Agencies Corruption

Corruption either major or minor has high, serious and negative impact on development projects in any country. Afghanistan is not exception from this important and crucial feature when it comes to corruption. Operations of government in all areas can be directly affected in sever negative way from corruption. International corruption (corruption by foreign companies and NGOs conducting business in Afghanistan) according to many Afghans has affected government developmental operation in below form;

- Degradation of the environment for civil society
- Degradation of the environment for businesses
- Reducing public support for government

There are a lot of factors that aid the international corruption in Afghanistan. Lack of awareness from social segments of Afghan community is among them. Lack of trust on Afghan government by international community that has been a result of lack of information provision to them, has resulted a damaging corruption to counterinsurgency efforts put forward. The hidden support that the Afghan population has been providing to insurgents as a result of weak government system also raises international corruption.

Afghan government views much aid as corrupt simply because the resources are channelled outside the national budget and their control (USAID, Anti-corruption Assessment Strategy 2012). This “External Budget” is always targeted by the Afghan governments again and again regardless of whether or not outright corruption is involved.

Some reports on Afghanistan and foreign aid processes suggest and support the idea that, no aid and foreign assistance delivery mechanism is free of corruption. These reports also outlines that not all the donors and international development agencies are exposed to corrupt activities as types of projects, implementing mechanisms and system of detection vary from to donor considerably. The cases and environments where corruption has been detected to a possible extent are briefed below.

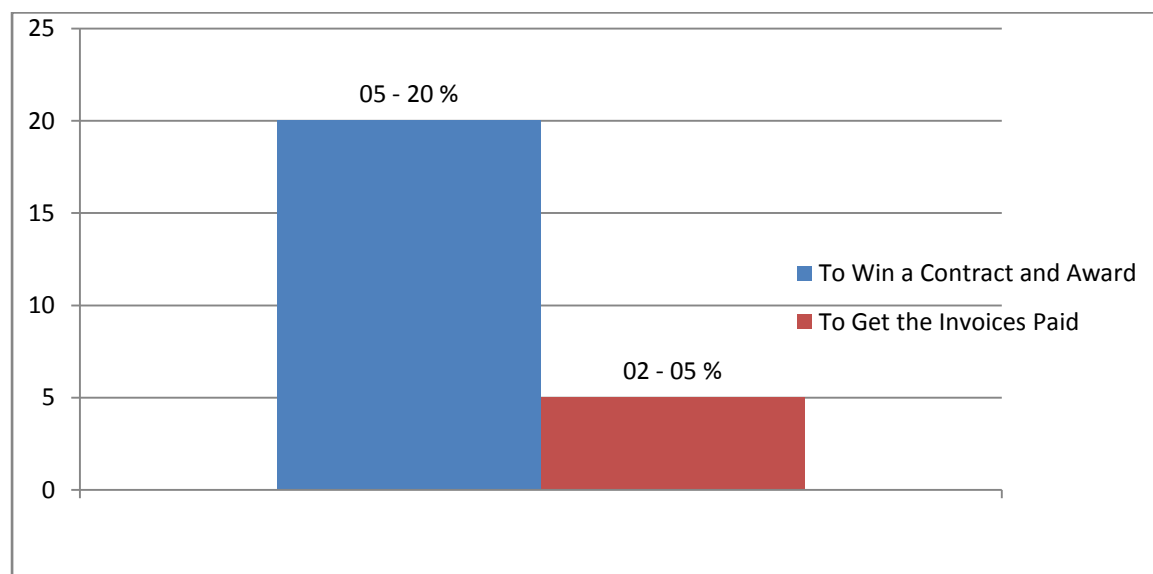
How often bribes are paid and corrupt practices are performed?

One of the most crucial and disturbing result that has been identified during desk research in this paper is cases where government officials and local contractors demand bribe and direct money in cash from the donor and international implementing partners in the country.

Numbers of contractors and honest project officials in Afghanistan complain about the inescapable systematic and prevailing corruption in the country. A national NGO (name classified) operating in Afghanistan have shared their experience of encountering corruption in an “Either Pay or Go” way.

The amount of bribe paid by international agencies conducting business as well as implementing developmental projects in Afghanistan differs from project to project. The typical amount currently being paid to government officials by international NGOs and private consulting companies is a percentage share of the total project budget line of the project to be implemented.

The most two important reasons bribes are paid by the international donor and implementing partner agencies are “***Winning a Contract and getting their financial Invoices paid***”. Below diagram shows the percentage of the bribes typically being paid presently by international implementing partners to the public decision makers. Figure: Rate and Nature of Corruption in the implementation of Development Projects by national and International NGOs



The percentage being paid as bribe that is totally a corrupt practice is significantly higher when it comes to local development project implementing partners.

The bribe amount that is needed to be paid for a contract or an award is commonly subject to negotiations by the concerned parties. This negotiation on the percentage to be paid as bribe causes significant delays in the process of contract as well as implementing the concerned

project.

In majority of the cases, the total sum that has been paid as bribe in order to win a project bid is totalled up to 30 - 40 percent of the total project value, mostly in road construction sector. This have been proven difficult for the implementing partner, local or even international to complete the tasks assigned according to their specification without substantial price increase or contract amendments.

More commonly the projects objectives have been uncontrolled due to corruption and bribery and the international implementing partners and NGOs raised prices and cut back on quality to preserve their organizational benefits.

Who pays the bribe and for what?

In addition to the reasons mentioned above, international development projects implementing partners have been practicing corrupt activities (paying bribe) to get shortlisted (be eligible for a bid) to obtain approvals for contracts modifications and extensions, to compromise auditors and inspectors (very much common) and to avoid cancelation of a particular contract for a poor performance. This is also very much seen in the extension of the projects of a specific kind for a longer span of time. Bribe takers and givers include project personal including clerks, low level managerial personal, assistants, government supervisors, ministry officials, local and emigrant employees of international aid agencies (this is more common than imagined) auditors, inspectors of all types and even the press. This is experienced by most of Afghanistan in municipality offices across Afghanistan.

Corruption an Increasing Dilemma in Afghanistan

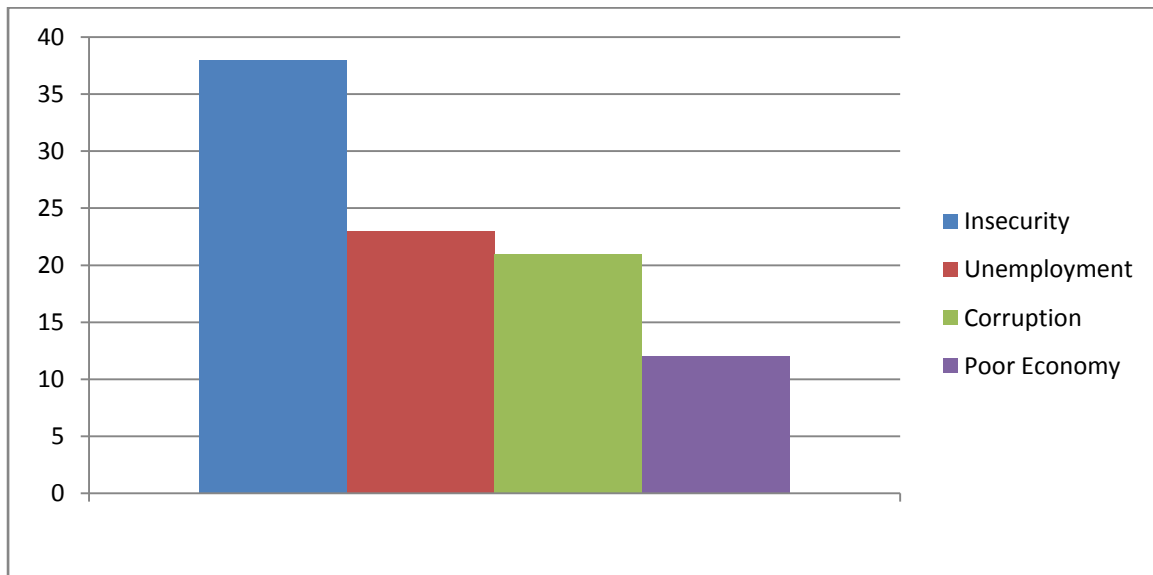
As far as corruption is concerned, the data presented through various reports, suggests government is going to the wrong direction in all spheres of state building.

The biggest problems Afghanistan is currently fighting are below;

Based on a survey report that had aimed to seek public's opinion regarding the biggest problems of Afghanistan, as a whole, Insecurity (including attacks, violence and terrorism) identified as the main and important problems Afghanistan is dealing with. This is followed by the second main problems, unemployment and corruption as the three are the cause and effect for each other.

- Insecurity
- Corruption
- Unemployment
- Poor Economy

Figure: Causes of Corruption in Afghanistan



Most bribing process and corruption procedures begin with demands by government or project officials rather than offered by contractors, although the latter certainly occurs, as do cases of both sides conspiring to loot a project. In some places corruption is so deep-rooted that no demands are necessary and the standard payments are automatically built into bid prices.

The game often starts with relatively small gifts and favours. According a report published by The Asian Foundation, corruption in Afghanistan in different types at national as well local level have been largely increased due to some known and to lack of access to government bodies and authorities.

Afghans also believe that the increase in insecurity level to the greatest possible extent, is due to large prevailing corruption of various kinds and this is a dangerous to the legitimacy of national government and also trust of international community. This will affect both, International Community's efforts, and also enlarges gap between people and government.

In a survey conducted by The Asian Foundation and the data collected from various provinces of the country show that corruption has become the second most important challenge faced by the Afghan government as well as international donor community.

Table: Rate of Corruption in Afghanistan Since 2006

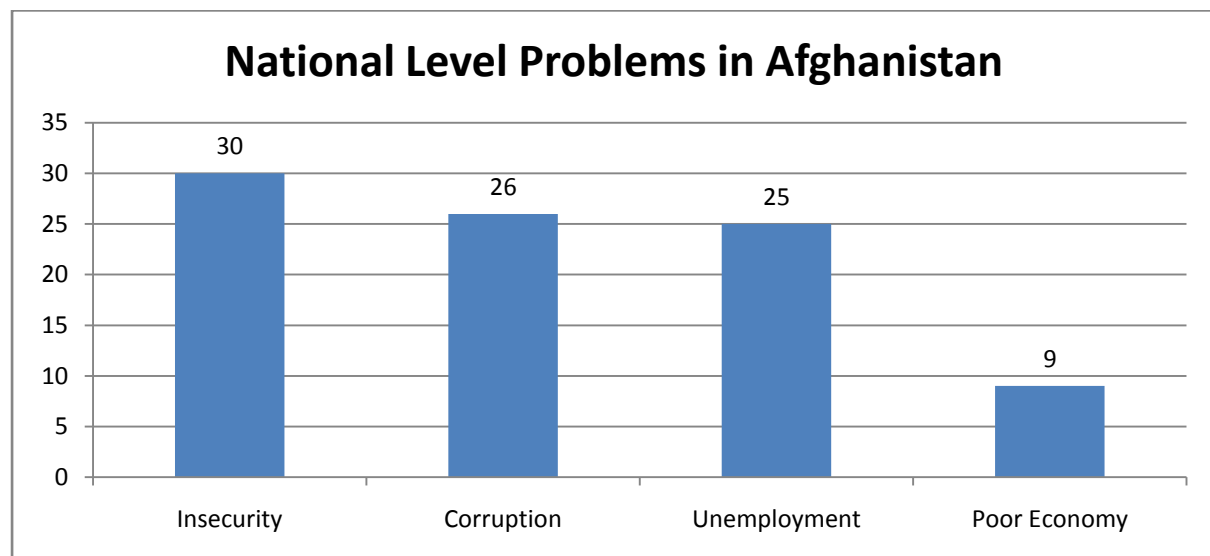
Figures percent	in 2006	2007	2008	2009	2010	2011	2012	2013
Insecurity	27	46	36	36	37	38	28	30
Unemployment	32	27	11	35	28	23	27	25
CORRUPTION	19	16	14	17	27	21	25	26
Poor Economy	24	19	17	20	11	10	10	9
Education	10	11	9	11	11	10	10	9
Poverty	13	5	8	11	10	12	9	9
Suicide Attacks	-	-	-	4	5	4	5	9
Presence of Taliban	6	13	13	8	8	4	8	7

The data in the report show that the problem of corruption is increasing on an increasing rate from 2006 – 2013(Foundation, Survey Of Afghan People 2013).

This is while corruption is being considered the second most important problem to be solved by Afghan government and international aid agencies.

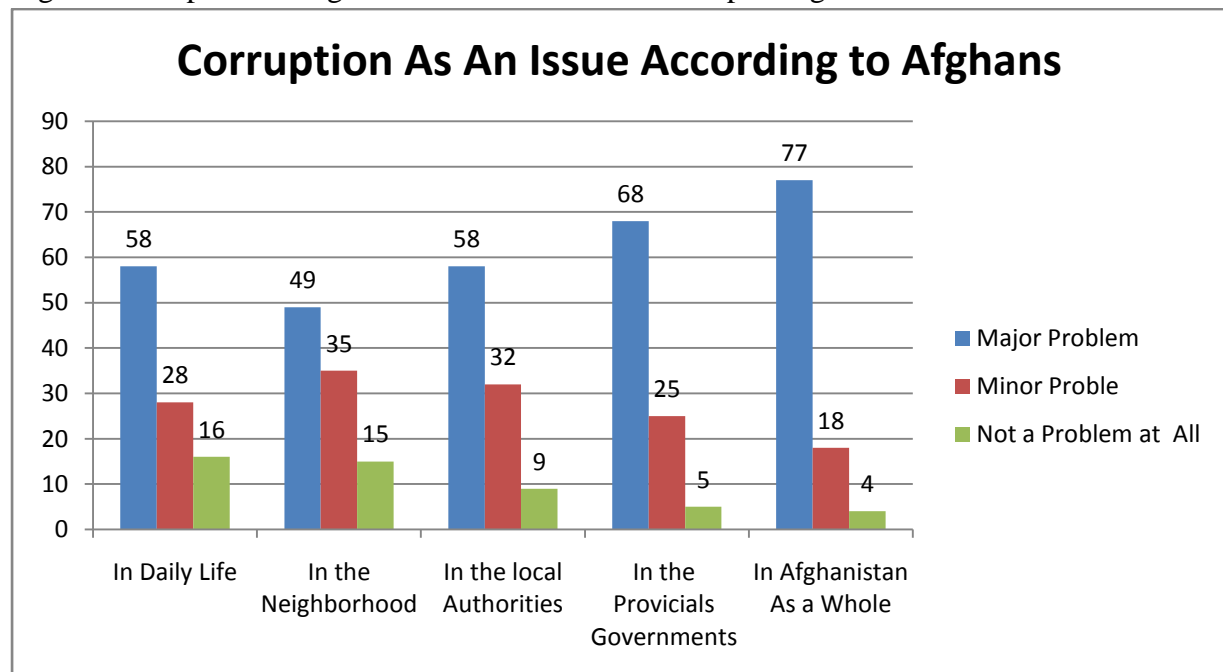
The diagram below shows intensity of the problems faced by Afghan government at national level in 2013 (Foundation, Survey Of Afghan People 2013).

Figure: Corruption as an Issue in Afghanistan at National Level



As is clear from above data, corruption is the second most important and frequently mentioned issue by Afghans as a whole right after the insecurity in the country. The various research report by either national or international research institutes reveal corruption one of the most important and major problem in all aspects of life and all altitudes of government. The data sources and research papers on corruption in Afghanistan in 2013 in terms of being an issue has classified corruption in three different types in terms of intensity.

Figure: Corruption in Afghanistan as a Serious Issue as per Afghans



In order to comply with the reforms required under the Tokyo Mutual Accountability Framework (TMAF) although president Karzai had issued a presidential decree number 45 in July 2012, that had been emphasizing administrative reforms, anti-corruption and justice sectorial reforms, but the result was and is still not tangible.

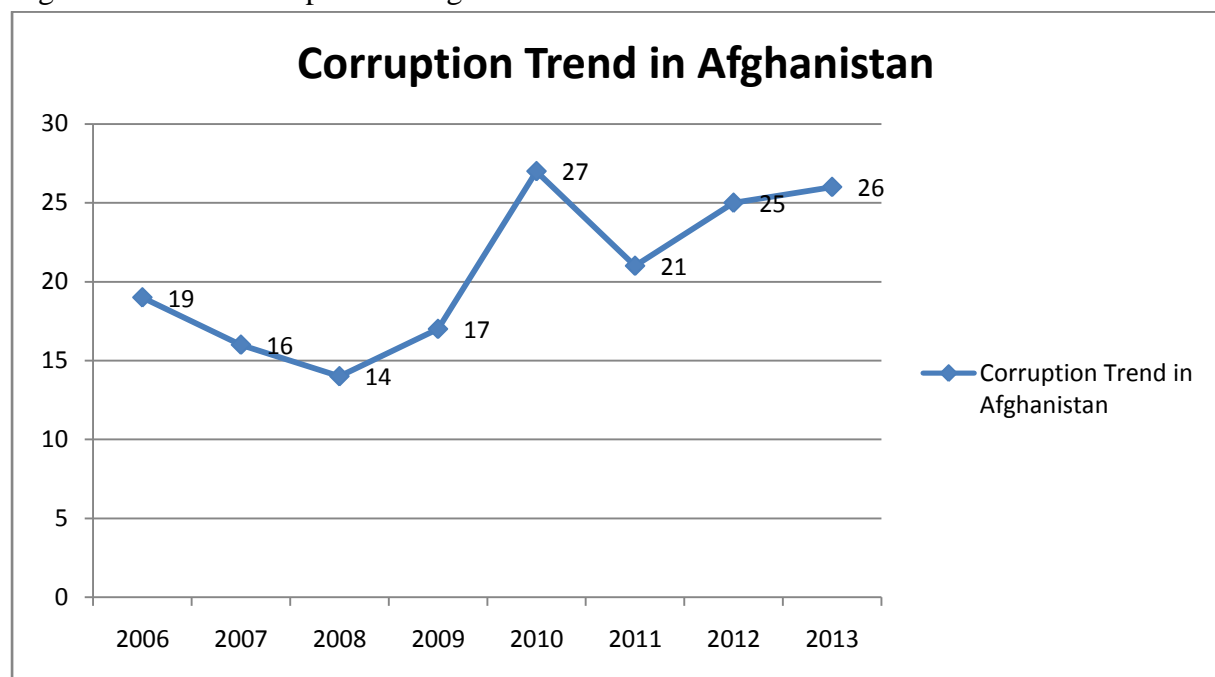
In 2012 the presidential decree had directed the carious line ministries, the National Assembly, special offices, directorates and commissions to take serious appointments and actions to improve government transparency, accountability, efficiency, and responsiveness to the Afghan citizens need and delivery of essential services to combat and effectively fight corruption.

Although the decree issued by President Karzai in 2012,had strongly focused on anti-nepotism and fight corruption trough bringing corrupt officials to justice, but the aim of the decree never reached as the progress had been challenging his government full of corrupt individuals.

Afghanistan remains at the most top second of a fresh comparative ranking of public observation of the corruption in many countries, at the same level as North Korea and Somalia(International 2015). While high-level political corruption often receives the greatest attention, the impact of administrative or “petty” corruption on Afghan citizens is equally distinctive. Administrative corruption limits and distorts Afghans’ access to essential public services, hinders economic development, and erodes trust in government and the rule of law. A report recently published by the International Transparency placed Afghanistan the most third corrupt country in the world after North Korea and Somalia second and Sudan the first corrupt country in the world(International 2015).

Corruption in Afghanistan is on increase as is presented through below diagram.

Figure: Trend of Corruption in Afghanistan from 2006-2013



Corruption in Afghanistan from 2006 to 2008 has been decreasing on a constant scale, while this phenomenon has been increasing on average of 17.8125 percent.

Corruption constitutes a serious threat to Afghanistan’s nation-building and development agenda. Over the years, it has increased dramatically and has emerged as one the biggest challenges facing the country’s reconstruction efforts and strengthening national and sub-national governance. It is a fact that corruption hurts the poor disproportionately by diverting funds intended for development thereby undermining the Government’s ability to provide

basic services, promotes inequality and injustice, and discourages foreign investment and aid. Lack of an efficient and transparent public service delivery mechanism at the grass-root level, where people experience their government, has alienated the poor in the villages and cities from the development process. The poor have started questioning the whole paradigm of development while the anti-government groups have started exploiting the disenchantment among the common people.

Reducing corruption is a prerequisite for ensuring long-term sustainable development and stability in the country. It has become clear to policy makers that for Afghanistan to emerge as a strong and democratic state, the Government has to take concrete steps to eradicate the growing corruption in public administration as a priority. Accordingly, both the government and the citizens of Afghanistan have decided to place the fight against corruption as one of the top priorities for the country's economic recovery.

Higher Office of Oversight & Anti-Corruption of Afghanistan

Since the Bonn Conference in 2001, the Afghan government, with backing from the international donor community, has put in place a number of agencies and commissions, both in the executive, the legislature and the judiciary to address the diverse challenges that undermined integrity in Afghan society.

The most major of these has been the establishment of the High Office of Oversight and Anti-corruption by Presidential decree. The formation of this office came out of recommendations of the report of a high powered Inter-Institutional Committee on Corruption, known as the Azimi Committee. The President by decree in August 2006 established this high powered Committee headed by Chief Justice Azimi and involved of senior Government officials. The mandate of the Committee was to analyse the root causes of corruption in Afghanistan and to provide recommendations for short and medium term measures to address administrative corruption. The Committee finished its work in March 2008 and submitted its report to the Cabinet. The report was developed following all-embracing consultations with relevant government stakeholders and provides an overview of the causes of corruption and how they can be addressed. The report recommended that a body should be established in order to oversee the further development, operationalization and implementation of its recommendations. Acting on this recommendation, the HOOAC has been established.

H.E. President Karzai in July 2008 issued a Decree establishing a High Office for Oversight (HOOAC) for the Implementation of Anti-Corruption Strategy. This law has been enacted in the light of the provisions of Article (7), item (3) of Article (75) and Article (142) of the Afghanistan Constitution and in accordance with the United Nations Convention against Corruption in order to oversee and coordinate the implementation of the Anti- Corruption Strategy.

It is worth mentioning that the establishment of the High Office of Oversight and Anti-corruption (HOOAC) has also fulfilled to a large extent Government's commitment to set up an independent body as per Article 6 of the United Nations Convention against Corruption (UNCAC) to oversee and coordinate implementation of anti-corruption policies of the Government.

The establishment of the HOOAC signifies to some extent a shift in focus of the Government from limited existing corruption towards deterring and ultimately stopping corruption with a sound governance framework. Following individual corruption cases can help in sending a signal of the Government's commitment to fight corruption (as long as there is no perceived political, ethnic, or other systematic bias). However, for sustained progress over the medium term, proper functioning of institutions and systems is essential. Accordingly, one of the foremost objectives of the new office is to develop infrastructure for preventive efforts to ensure that government institutions, systems, and processes are working well enough to minimize vulnerabilities to corruption.

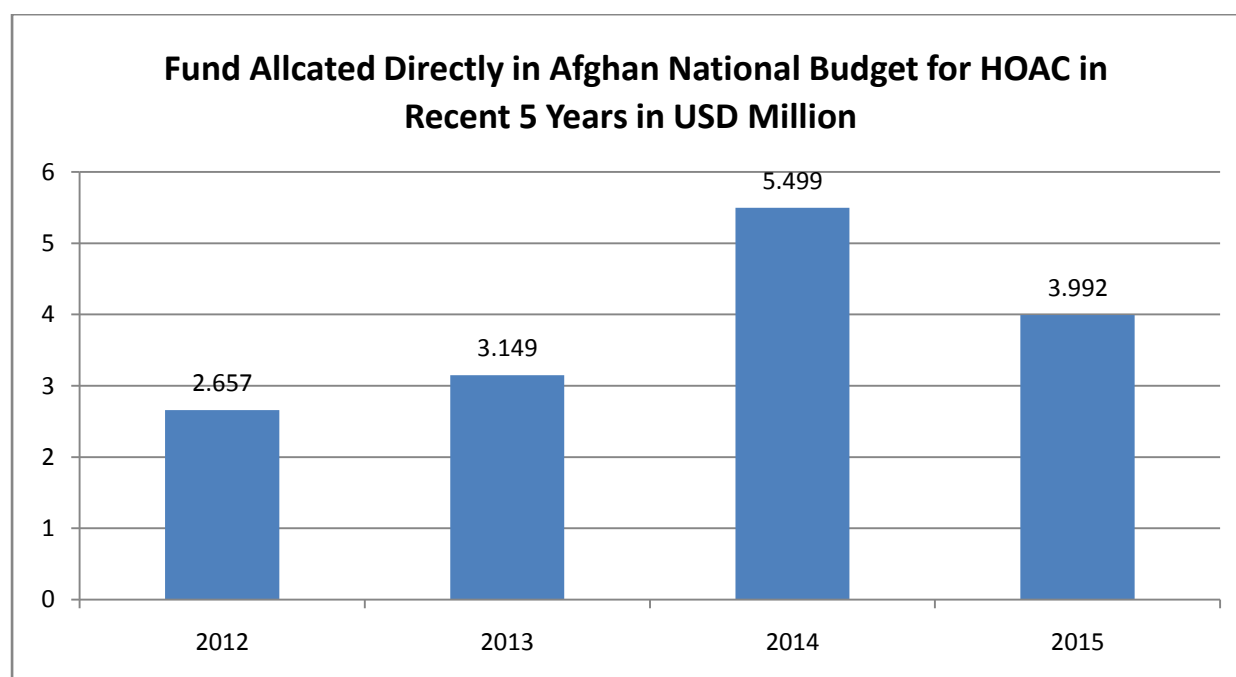
Funds directly allocated to fight Corruption in the Afghan National Budget in recent five years:

Higher office of Oversight & Anti-Corruption gets its budget directly from Ministry of Finance already estimated in BC-1 every year in Afghan National budget development business process. It also used to get some of the funds required in order to perform its operations effectively from the budget codes 91 and 95. Higher Office of Oversight & Anti-Corruption has been spending funds on public awareness, workshops and trainings on mechanism developments of how corruption is encountered etc. The office though had never provided much fund in the Afghan National Budget since it has been established by the president decree.

In 2012, HOAC obtained a sum of USD 2.6 Million in the Afghan budget and this fund was totally allocated directly to fight the pertaining corruption in Afghanistan. This amount

increased to USD 3.1 in 2013 and USD 5.4 million in 2014 respectively. Afghanistan is facing a systematic corruption that is second most important treat to Afghan development process after security, but the HOAC is the only organization that gets the lowest budget in the Afghan National Budget. In the recent budget the total sum of money which is directly allocated to fight corruption by HOAC is USD 3.9 million(CSO 2014).

Figure: Direct Fund Allocated to Higher of Office of Oversight & Anti-Corruption in Afghan National Budget from 2012 – 2015



Corruption&Taxation

Vulnerabilities to Corruption Assessments (VCAs) of the Revenue Department of MoF¹⁰ identified five key areas with the combination of high corruption risk and high potential revenue losses. These are:

- Returns processing, review, and analysis by Mustofiats.
- Internal audit of MoF.
- Selection of taxpayers for audit investigation.
- Corporate audit investigations.
- Issuing Public/Private rulings, handling objections and appeals, and the litigation process.

For each one of these areas the VCAs made recommendations relating to, (i) process, (ii) vulnerabilities and potential scale of revenue loss, and (iii) mitigation measures. The Revenue Department of MoF has incorporated mitigation measures into its strategy.

Conclusions and recommendations for further actions

Systems to fight corruption are vital elements to shrink inequality and nurture and sustain economic growth and prosperity. Afghan government is somehow applauded for the important efforts undertaken since the establishment of legal and institutional mechanisms and strengthen capacity to prevent, investigate and prosecute corruption and bribery.

Afghans agree that certain trends are prevalent throughout the country and that certain problems require equal attention by all the anti-corruption stakeholders and should be addressed as a priority to further advance the country's fight against corruption over the next years:

- To construct a model for a scenario analysis of revenue and expenditure as well as a capital expenditure forecasting model, there is a need for additional data and more time for the current study to submit to such a model
- For a meaningful discussion on fiscal sustainability, the first priority is to include all (or as much as possible) the resources and expenditures in the budget and/or the calculation.

This is particularly important with respect to the expenditures that relate to the operating budget. The main one is some, if not a large portion, of the security expenditures. In the absence of detailed data, it is not practical to attempt to describe with any certainty the proper accounting treatment for other expenditures that are met through the external budget. In general, all revenues and expenditures of a public nature must be accounted for exhaustively and comprehensively in the national budget. The amounts that are normally off-budget are not significant by comparison with those that are on-budget. This is not the case in Afghanistan, where more than 87 percent of the expended resources are off-budget.

- The national budget should account for all of the present and future known and contingent liabilities, and/or possible claims by Afghanistan. These items represent

significant amounts in comparison to the current size of the national budget. Furthermore, the information on these amounts is instrumental to a comprehensive study on fiscal sustainability.

- This is an important consideration in comparing the results of different studies on the fiscal sustainability situation in Afghanistan.

The literature and other reports that were reviewed in this regard are mainly those that were developed on behalf of or by other international organizations. They all seem to apply this narrow definition in a strict manner and use the results as a precursor to their conclusions and recommendations on the fiscal sustainability situation in Afghanistan.

Priority measures

1. Designing effective anti-corruption policy reform

Afghans in all areas of business agree that anti-corruption reforms are most effective if they are the result of an overall strategic approach, properly sequenced and coordinated, and if all involved stakeholders, including donor organizations, work in close coordination.

Public opinion surveys

Considering the importance of a comprehensive anti-corruption strategy and public support for it, Afghans recognized that:

- Public view surveys conducted by governments, while not a substitute for policy, have proved to be useful tools to spread reforms and frame key policy issues, raise awareness and foster public support for and discussion of anti-corruption reform;
- Surveys provide for a degree of public participation and can be an element of participatory democracy;
- Public opinion polls are used to gather views about all aspects of administration but they are rarely systematically coordinated by governments; a key aspect to their

effectiveness is that results be clearly communicated to politicians and senior officials especially to the President and CEO of NUG

- Public opinion surveys conducted by non-government actors such as academia or citizen groups can motivate the public discussion of corruption and of potential remedies, and as such may serve to increase pressure for change and trigger reform;
- Challenges remain in the use of public opinion surveys, including increasing knowledge of available opinion survey tools and developing capacity in their use; converting research results into concrete policy recommendations; strengthening research in diagnostic indicators; and supporting the use of survey tools over time.

Donor support

Given the need to excavate anti-corruption capacity in the country, the role of the donor community remains critical.

- Recognized the value of establishing joint recipient-donor vision and partnership structures involving the government, civil society, private sector and the donor community for the sharing of diagnostics, knowledge and analysis, the promotion of policy development, and to foster donor coordination and independent project implementation;
- Emphasized the role of NGOs and civil society to complement donor assistance in anti-corruption reform;
- Urged donors to take into account local contexts and challenges in developing responses to countries' development assistance needs, and to make use of domestic capacity in anti-corruption reform;
- Encouraged the International Community's Initiatives to discuss the concepts of multi-stakeholder development partnership structures and of independent audit and monitoring mechanisms for project implementation.

2. Focusing on corruption risk zones

Afghans agree that, depending on the degree of interaction between public and private actors or the potential level of bribery and corruption, certain sectors or activities within a public administration are by their very nature more vulnerable to corruption than others.

Preventing corruption in humanitarian & Developmental Projects

- In light of the recent experience with the incrimination of public service delivery by Afghan government to its very citizens, Afghan population agree that developmental relief and reconstruction projects are particularly vulnerable to corruption and in this context suggested that:
- Guidelines and tools to curb corruption in developmental & humanitarian relief operations and projects should be developed, building on the Conclusions and Framework for Action for Preventing Corruption in Humanitarian Relief Operations, developed at the expert meeting on corruption prevention, organized by the ADB/OECD Initiative and Transparency International in April 2005 in Jakarta, Indonesia;
- Specific work is needed to develop lighter and swifter instruments for financial management, administrative procedures and anti-corruption safeguards;
- Donors and NGOs should both enable and reward transparency, quality management and fraud reporting;
- Stakeholders should consider the establishment of independent and adequately resourced monitoring facilities.

3. Working together for an EFFECTIVE change

As corruption impacts all groups of society, and because corrupt officials increasingly exploit systemic weaknesses to hide proceeds of corruption in foreign jurisdictions and escape from

prosecution, working together across sectors and borders is central to effectively combating it.

Creating a Supporting Environment for Business & Project Conduct Integrity

Recognizing the role of the private sector both in acts of corruption as in the prevention of such acts, participants highlighted the urgent necessity to ensure that businesses operate with the highest level of integrity and implement effective anti-corruption measures through:

- The development and enforcement of accounting standards prescribing transparent public and private corporate accounts and prohibiting practices such as accounting omissions, falsification and fraud for the purpose of bribery of public officials or of hiding it, as well as the strengthening of independent external auditing controls;
- The promotion, development and adoption of adequate internal audit and company controls, including standards of conduct prohibiting the giving of bribes;
- Education and training programs on business ethics, conducted in close cooperation with professional organizations and community based organizations, and civil society monitoring of corporate compliance with business integrity standards;
- Systems ensuring that all areas of government, identified by the respective governments as presenting a potential for abuse through bribery or attempted bribery of public officials, are transparent and that information is made readily available to the public in a manner that would serve the purpose of ensuring fairness and compliance with rules and standards.

4. Increase the Budget of HOOAC for better activities

Higher Office of Oversight & Anti-Corruption is the only Afghan Government body currently working on various types of corruption in the country.

In 2012, HOOAC obtained a sum of USD 2.6 Million in the Afghan budget and this fund was totally allocated directly to fight the pertaining corruption in Afghanistan. This amount increased to USD 3.1 in 2013 and USD 5.4 million in 2014 respectively. Afghanistan is

facing a systematic corruption that is second most important threat to Afghan development process after security, but the HOOAC is the only organization that gets the lowest budget in the Afghan National Budget. In the recent budget the total sum of money which is directly allocated to fight corruption by HOOAC is USD 3.9 million that are never a sufficient fund for problems that stands second after insecurity.

National and International Organization active in Afghanistan have been proposing below recommendations for NUG government to fight corruption effectively;

- Establish an Anti-Corruption Commission to implement, provide oversight and coordinate anti corruption policies and activities based on UNCAC and London Conference commitment.
- The Anti-Corruption Commission should prioritize prosecution of corruption cases and should closely oversee the prosecution process.
- The Anti-Corruption Commission should develop an Anti-Corruption Strategy based on Article 5 of UNCAC in consultation with relevant ministries and stakeholders.
- Establish an Anti-Corruption Deputy within the Attorney General Office (AGO) with external oversight from the Anti-Corruption Commission reporting to the President, National Assembly and the People on the Anti-Corruption Deputy's performance related to corruption cases.
- Prosecutors from the AGO and police from the Ministry of the Interior should be specially assigned and housed in the Commission to investigate, arrest, and prosecute cases, and to ensure speedy processing of corruption cases and prosecuting the wrongdoers without infringing on the Constitution.
- Comprehensive Anti-Corruption Law should be passed, Access to Information Law should be revised and a Whistle Blower Protection Law should be drafted immediately.

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