

# Low execution rate of developmental budget in Sectorial Ministries of Afghanistan: Causes and Remedies

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## Abstract

*This study aims to explore factors causing low execution rate of developmental budgets in sectorial ministries of Afghanistan. Furthermore, improvement factors of low execution rate of developmental budgets are also explored in the current study. Interpretivist philosophy, inductive approach and phenomenological method of qualitative methodology is employed. Interpretation in a hermeneutic manner is used for the analysis purpose by following a naturalistic inquiry method. Data was collected through in-depth interviews with twelve respondents from the ministries facing the low execution rate of developmental budgets in Afghanistan. This study concludes the findings with low capacity, corruption, lack of monitoring and evaluation, lack of time management, lack of proper administrative structure and insecurity are the factors causing low execution rate of developmental budgets. Furthermore, the improvement factors concluded in this study are time management in terms of funds disbursement, qualified personnel, and changes in administrative structure, public and media engagement, independent monitoring bodies, merit and performance based system, and the secure environment. Future research may be conducted to explore how aforementioned factors can be implemented in ministries of Afghanistan.*

**Keywords:** Developmental Budget, Low Execution Rate, Causes, Ministries, Afghanistan.

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## Introduction

Afghanistan is a country which is heavily dependent on foreign aid, based on a report from Integrity Watch Afghanistan in 2018, since 2001, around 70% of Afghanistan's national budget is provided by international donors. But undoubtedly the provided funds have not been used to change the life of a common man in a way that could be noticed. Whereas, on time and proper budget execution generally play a vital role in reduction of poverty, unemployment and the economic instability in a country, and lead the countries towards development and prosperity. Unfortunately, in Afghanistan it has not been the case and it could not play its role visibly equality for Peace and Democracy, (EPD, 2016).

Disappointingly there are a number of major factors that contribute in shortcomings of the sectorial ministries to execute the developmental budget. The contributing factors to spend the developmental budget of ministries are factors such as centralized planning and budgeting, lengthy decision making processes, unproductive administrative structures, low level of human capital capacities, security and the delayed disbursement of donors' committed contribution to government budget (Integrity Watch Afghanistan, 2017). All the above mentioned factors merged together and increased unemployment, which resulted in increased insecurity, higher inflation rate, brain drainage, investment drainage and ultimately deteriorated the economy and development in Afghanistan.

Since 2001 the low execution rate of developmental budget by the sectorial ministries and independent directorates has been at the core of the problems faced by the government of Afghanistan. For the last seventeen years Afghanistan Government could have never been able to spend at least fifty percent of their developmental budget. The stated problem is causing due to a number of factors that slow down the execution process of the developmental budget. Literature on causes of low execution budgets in the context of Afghanistan is still not rich and in the infancy stage. Therefore, this study is designed to look for those factors which cause low execution of developmental budgets and furthermore to explore the remedial factors to capitalize the developmental budgets for prosperous economy of Afghanistan. In this context, the following two research questions guide this current study.

**RQ1.** What are the causes of developmental budgets' lack of utilization in sectorial ministries of Afghanistan?

**RQ2.** What can be the improvement factors of utilization of developmental budgets in sectorial ministries of Afghanistan?

The following section discusses literature reviewed for this study by following methodology and the findings of the study. This paper ends with conclusion and implication.

## **2. Literature Review**

One of the fundamental tools that makes the management control process possible in most of the institutions around the globe is budget. The process of budgeting is defined as the act of preparing budget (Garrison & Noreen, 2003; Fainboim, Last and Tandberg, 2013 ). Budgeting is an important process of control in the accounting systems. It assists the effective implementation of management functions of planning, control, communication and performance evaluation (Weetman, 2006). Budget coerces management to implement formal planning procedures, which would ultimately motivate departments to participate in master budget formulation process.

Furthermore, Grigoli and Mills (2014), in general recognize that the budget process encounters several constraints, which results in unsatisfactory results even with very well designed budgetary system. Lots of studies have been conducted on public expenditure management to discuss the problems associated with practical aspects of budget management. The major problem of public expenditure management and budget management is concerned with the difference between the total projected revenue and the expenditure. The forecasted revenue normally tends to be below what was projected in developing countries, which means resource availability is limited in front of smooth budget execution (IMF, 2015). The other budget management issues were associated with the accounting systems used by the public institutions in developing countries. The major difference is that the government institutions operate based on cash base accounting system under which the transactions are recorded only when the fund physically changes hand. To overcome this problem many countries attempted reforms in order to switch their systems to the accrual base of accounting system, under which the transactions are recognized and recorded when it actually incurs, no matter whether it is cash base or credit base (Gupta et al. 2014; Raja ram et al., 2014).

Afghanistan is a fragmented and a decentralized traditional society but with a centralized government structure. The coexistence of two systems at the same time had been conflicting and uneasy from the start (Evans, Manning, & Tully, 2004). The paper states that due to decades of political conflicts the state collapsed in Afghanistan and from the start of conflicts in 1978 the consolidation of authority has been stopped. It further adds that,

though the state collapsed and there are conflicts between the centralized systems and decentralized traditional society in Afghanistan, but surprisingly the state's administrative structure have demonstrated to be strong and resilient. The administrative system provides a management and accountability framework, which is also sound, responsive and well understood, though not always adhered to. Despite the political and local challenges (for detail refer to original paper) the author sees a basic bureaucratic structure at sub-national level that could made functional again, and could be supportive to reassert central government's authority (Evans, Manning, & Tully, 2004). The paper proposes strategy to achieve government's goal of higher level service delivery, by delegating some authority for the day to day management decisions. The proposed strategy has two elements: first element call on central government to extend its support to provinces, districts and provincial municipalities on their role as service providers, and their political role as representative of the central government. The second element suggests customized incentives to sub-national administration that displays their institutional and historical roots. The incentive could be delegation of authority based on need of a province and district. The paper discusses the issue in further detail and states that if the government follows the recommendations, they would find the sub-national administration effective in service delivery and representing the central government positively, and at the same time sub-national government would be very effective in program and budget execution and implementation at their own levels. (Evans, Manning, & Tully, 2004).

According to the equality for Peace and Democracy (EPD, 2016), In their report, under its budget execution heading, it highlights four major factors and variables that cause the low rate of developmental budget execution, which are as followed: 1). Unrealistic budget formulation, 2). Large budget carryovers from previous years, 3). Deteriorating security conditions in various parts of the country and 4). The limited capacity of government to implement the projects and execute the budget on time.

According to Totakhail (2011), the effectiveness of development assistance and budget execution in Afghanistan is influenced by the following factors and challenges: weak national development policies, large off-budget support, lack of capacity, lack of coordination, high turnover rate among Afghan Ministries, undeveloped economic markets, corruption and Insecurity. According to Callistus and Clinton (2016), the Monitoring & Evaluation has a significant role for any project and budget execution. The paper identifies the following ten monitoring barriers as the most

challenging and contributing factors in front of smooth project and budget execution, namely weak institutional capacity, limited resources allocations for M&E, weak understanding of M&E role in project and budget implementation and its demand, frail linkage of planning and budgeting as well as monitoring & evaluation, and finally, data collection, poor data quality, data gaps and variation.

There are a number of major factors that contribute in shortcomings of budget execution in Afghanistan's sectorial ministries. The contributing factors that make the government unable to spend the developmental budget of ministries are factors such as centralized planning and budgeting, lengthy decision making processes, unproductive administrative structures, low level of staff capacities, security, and the delayed disbursement of donors' committed contribution to government budget (Samirullah, 2016). According to Ashraf, Bandiera, & Blum (2016), the centralized systems is one of the major independent variables that creates barriers in front of the effective planning and budgeting as well as the execution of plan and budgets. The unsuccessful budget and program execution is associated with centralized planning and budgeting as well as lack of coordination among the line ministries in Afghanistan (Saltmarshe & Medhi, 2011). Countries need to improve their Public Financial Management Systems (PFMS) in order to overcome the problem of inefficiency in their program and budget execution. (De Renzio, Andrews, & Mills, 2011).

The point to ponder is the question how to create a sustainable and operating environment that ensures a smooth budgeting and budget execution process. The success of the budget process is associated with the provision of corrective measure to make the deviation from the original plan back on track. Due to the weaknesses in the planning and budgeting process the budget implementation is a challenge for government institutions in Afghanistan. Poor and unrealistic budget projection has made the budgets to be prepared without consistent and reliable forecasts of macroeconomics performance and its implications. Based on foregoing discussion of literature, current paper literature concludes several causes of the low budget execution in developing countries including low capacity, ineffective country systems, centralized systems, lack of security, lack of M & E, lack of internationally accepted standards, low donors' commitment (Mujeri & Alam, 2011; Dabla-Norris et al., 2012; Kettlewell et al., 2014).

### **3. Methodology:**

Interpretivist philosophy, inductive approach and phenomenological method of qualitative methodology is used. Interpretation in a hermeneutic

manner is used for the analysis purpose by following a naturalistic inquiry method. The phenomenological approach of qualitative research is used to explore factors that affect the execution rate of developmental budget in the line ministries of Afghanistan. Qualitative studies that focus on phenomenological dimensions often propose interviews. With relation to this, Creswell (1998, 2003) strongly suggests conducting interviews that range from 5 to 25 in numbers. Therefore, face-to-face interviews were conducted on an average time of 35 minutes with twelve (12) concerned individuals from the budgeting and planning departments of five sectorial ministries. The nature of the interviews was semi-structured. The questions asked during interviews were: 1) whether they are involved in the process of developing budget, 2) what are the reasons of not utilizing developmental budgets? Which specific actions should be taken to properly utilize developmental budgets? These were the structured questions designed before conducting interviews. However, some of the issues based on the respondents' answers were also discussed during interviews to reach to reliable and valid conclusion of the study.

### **3.1. Sample and sampling**

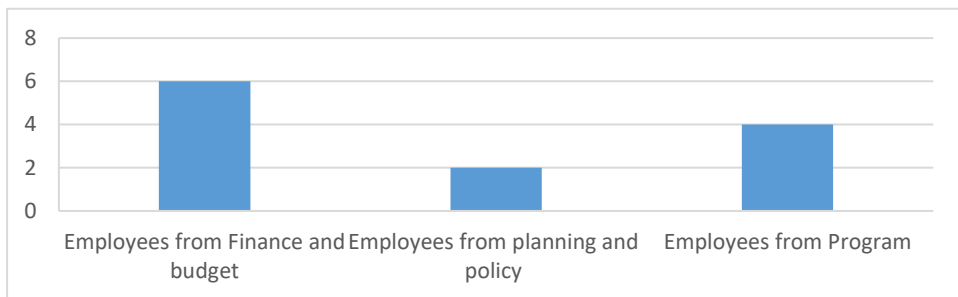
The target population of the research was comprised of twenty-five sectorial ministries of Afghanistan. The sample ministries for this research was only five sectorial ministries namely Ministry of Finance, Ministry of Foreign Affairs, Ministry of Education, Ministry of Interior Affairs and Ministry of Agriculture. The lack of proper utilization of developmental budgets justifies the selection of above mentioned ministries as a sample for this study. It is worth to mention that unit of analysis in this study is individual level and not the organizational or ministry level. Therefore, the sample size in terms of unit's selection for the interviews were 12 individuals from the mentioned ministries. The specific number of interviews conducted in each ministry was as followed as 1) Three officers from the Ministry of Finance including two individuals from the finance & budgeting and one from the planning and policy. 2) Four officers from the Ministry of Foreign Affairs including two individuals from the finance, one from the planning and policy and one from the program. 3) Two officers from Ministry of Education including one individual from the dfinance and one from the program. 4) One officer from the Ministry of Interior Affairs, program, 5) Two officers from the Ministry of Agriculture, one from the finance department and one from the program. It is worth mentioning here that the purposive sampling (also known as judgmental, selective or subjective sampling) technique was used to identify the respondents.

Purposive sampling is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study (Cooper et al., 2011).

**Table 1: Respondents profile**

Employees' Departments	Frequency	Percent
Employees from Finance and budget	6	50%
Employees from planning and policy	2	17%
Employees from Program	4	33%
<b>Total</b>	<b>14</b>	<b>100%</b>

**Chart 1: Respondents Frequency**



Source: Field survey

### 3.2. Data analysis Method

Since this study follows a qualitative research, the commonality analysis and themes extraction process are used for the analysis purpose by following a naturalistic inquiry method, interviews, data collection, analysis and interpretation in a hermeneutic manner as proposed by (Spiggle, 1994) and followed by (Muhammad et al., 2016). After interviews transcriptions, the analysis started with breaking up the answers' texts, followed by identification of the main themes. Interview transcription and the major themes that evolved have been summarized below.

## 4. Findings

### 4.1. Results of RQ1:

This section presents the findings of the first research questions of this study that explores the factors that causes the lack of utilization of developmental budgets in sectorial ministries of Afghanistan. In this regard, respondents were asked to share their views on reasons for not utilizing the developmental budgets. Seven of the respondents share similar thoughts and explained one of the informants through his statements as:

*“I think the major factors that negatively impact the execution rate of developmental budget within Afghan Government entities are the insecurity, low capacity, corruption, centralized government systems, lack of enough M & E, and lack of timely disbursement of fund by the donors. Government should overcome these barriers in order to increase the budget execution rate.”*

Other five respondents share similar thoughts and one of them echoed their voice as:

*“I think, the effective implementation of the Development Budget depends on major factors such as administrative structure, human capacities, security, and timely disbursement of donors’ commitments and corruption. We face mostly these issues while executing developmental budgets in our ministry”.*

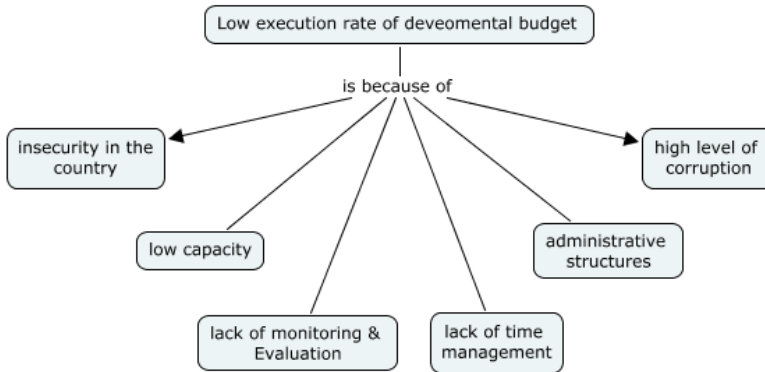
Similarly, another respondent shared his view with the condition of anonymity and said through his comment as:

*“I think there is high level corruption, low capacity of the government entities, security problem are the major barriers of the low execution rates of developmental budget.”*

By following hermeneutic and commonality approach of themes extraction, the words commonly used by informants were low capacity, corruption, lack of monitoring and evaluation, lack of time management, lack of proper administrative structure and insecurity. Therefore, based on the responses of respondents, the factors causing low execution rate of developmental budgets in sectorial ministries of Afghanistan are presented in below figure 1. It can be seen that corruption, lack of monitoring and evaluation, lack of time management, lack of proper administrative structure, insecurity, and the low capacity are the common causes of low execution rate of developmental budgets.



**Figure 1: Causes of low execution rate of developmental budgets in ministries**



#### 4.2 Results of RQ2:

The second research question of the study was to explore the improvement factors of low execution rate of developmental budgets. In regard to this, when respondents were asked to share their views on improvement factors of execution of developmental budgets in their ministries, the five informants echoed their same thoughts and explained by one of the respondents through his comments as:

*“I think, the ministries and directorates must focus on implementing the following actions: Improve Capacity, Streamline budget formulation, allotment and disbursement, Expedite Procurement and improve project planning, Streamline Control Mechanism, Simplify Bureaucratic Procedures, Update the Standards and Improve the Security.”*

The respondents were of the view that capacity, streamlining the budget formulation, disbursement of funds, administrative structures and improvement in procedures are integral for the best utilization of developmental budgets. Similarly, another set of four respondents' shared their thoughts and explained by one of the respondents as:

*“The ministries should first of all pay more attention to improve the security, and then the focus should be given to build up the capacities of the public servants. The budget should be realistic and practical and that could be achieved*

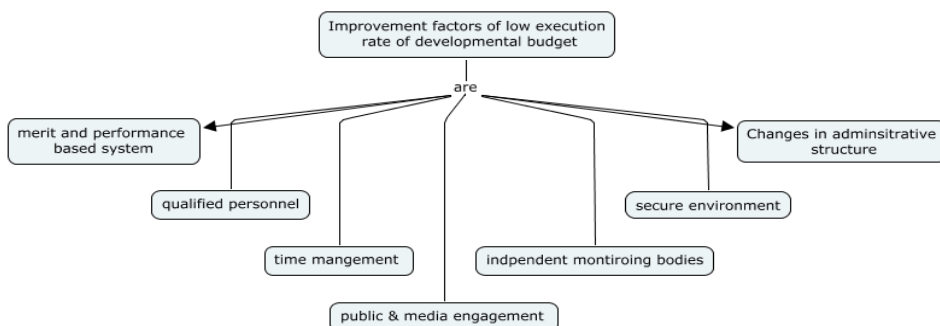
*if the government involves the government officer of the lower level. This would bring sense of ownership as well as accountability within the government and on the other hand they would feel motivated and interested to implement what they have developed.”*

The same issues were viewed by another group of three respondents in the same way and explained by one of the respondents through his words as:

*“The government should first of all pay more attention to improve the security, and then the focus should be given to build up the capacities of the government officer. The budget should be realistic and practical and that could be achieved if the government involves the government officer of the lower level. This would bring sense of ownership as well as accountability within the government and on the other hand they would feel motivated and interested to implement what they have developed.”*

The main themes evolved and concluded from the respondents’ responses are presented in below figure 2. The figure shows total seven themes namely time management in terms of funds disbursement, qualified personnel, and changes in administrative structure, public and media engagement, independent monitoring bodies, merit and performance system and the secure environment. Aforementioned were the themes extracted from the respondents’ responses which can lead to improve execution rate of developmental budgets in sectorial ministries of Afghanistan.

**Figure 2: Improvement factors of utilization of developmental budgets in ministries.**



## **5. Discussions**

The results of the study highlight answers of the two research questions which were designed with the aim to explore the causes and improvement factors of the stated problem. Overall, the results of the research question number one identify the causes such as, insecurity, low capacity, corruption, centralized government systems, large budget carry overs, lack of enough M & E, and lack of timely disbursement of fund by the donors as the other main reasons behind the low execution rate of the developmental budget within the sectorial ministries of Afghanistan.

The findings of the second research question suggest actions that would certainly boost the capitalization of developmental budget within the sectorial ministries of Afghanistan. The interviewees identified improvement factors such as hiring of qualified personal, improved administrative structures, merit based remuneration, improved security and integrity, involvement of community and media in budget formulation and execution process, independent monitoring bodies and finally public engagement as the measures that could help and pressurize the sectorial ministries of Afghanistan to improve the execution rate of the developmental budget. The findings of the current support literature in general while studies conducted by Kettlewell et al. (2014), Callistus & Clinton, (2016), Samirullah (2016), Ashraf, et al. (2016) in specific. To overcome the stated problem, the ministries and directorates need to focus on capacity building of current government staff or, if required replace them with qualified staff. The placements and benefit packages should be merit based not relation based. Train and involve the government officers in budgeting process, in order to motivate them and give them the sense of ownership and responsibility in execution process. This would also make them accountable for what they have planned. Furthermore, ministries should establish standard human resource policies in such a way which should focus on high performance and that encompass proper grievance procedures, reward and punishment systems, performance measurement tool and mechanisms. Improve the administrative structures and focus on decentralization. Moreover, to enhance the sense of integrity among the government staff by conducting refreshing seminars on Islamic and human values for better and prosperous society. The directorates and ministries should work on structures and responsibilities, eliminate the authority and responsibility overlaps within the government entities to make them effective and well operational. Streamline the current ineffective and lengthy processes, and replace them with standard and accepted

procedures and processes. Involve communities and media in budget formulation and execution process. Develop effective and on time monitoring mechanisms and tools. Establish independent monitoring bodies, improve the security by taking necessary measures to provide a secure environment.

## **6. Conclusion, recommendation and Limitations of the study**

This research study concludes the findings of the two main issues of the study, firstly this study concludes that the ministries in Afghanistan are not capitalizing their developmental budgets because of low capacity, corruption, lack of monitoring and evaluation, lack of time management, lack of proper administrative structure and insecurity. Secondly, this study also concludes the improvement factors of developmental budgets execution in sectorial ministries. The improvement factors concluded in this study are time management in terms of funds disbursement, qualified personnel, and changes in administrative structure, public and media engagement, independent monitoring bodies, merit and performance based system and the secure environment. It is worth mentioning that this study has looked into the insights of the causes of low executions rates of developmental budgets but still this research is not spared from some of its limitations as following.

This study is merely based on the interpretivist philosophy and qualitative methodology of enquiry and therefore, the possibility of biasness cannot be overlooked. Furthermore, this study also does not deliberate the political aspects of the causes and improvement that makes the sectorial ministries unable to execute the developmental budgets. Therefore, the findings of the study should be generalized in a careful manner.

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