

Politics, Intergovernmental Relations, and Public Finance Reform in Fragile States: The Case of
Afghanistan

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ABSTRACT

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Afghanistan

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Few works within the extant literature of public finance management and intergovernmental transfer examine how the public funds are managed and distributed to provide effective and efficient public goods and services in conflict-affected and fragile states. This dissertation attempts to do so by explaining the key factors for the allocation of discretionary development budget under a recent planning and budgeting reform—Provincial Development Planning Guideline (PDPG) and Provincial Budgeting Policy (PBP)—during the last four fiscal years in Afghanistan.

This dissertation shows that the implementation of the formal rules—PDPG and PBP—administrative capacity, and socio-economic conditions do not determine the allocation of discretionary development budget in Afghanistan. Instead, there is an informal mechanism that underlies the allocation of discretionary development budget. This informal mechanism reflects the specific political considerations of the Afghan central government and the lobbying strategies

of the local actors regarding the allocation of discretionary development budget. Accordingly, the local administrations, with stronger political affiliation—specifically, political relationship, political importance, and strong position vis-à-vis the central government—and more active lobbying strategies tend to achieve higher amounts of budget.

This dissertation holds several implications for intergovernmental transfer studies in the conflict-affected and fragile states. The stubborn reliance on centralization and lack of flexibility to adapt to the current conditions significantly affect the path towards reforming dysfunctional planning and budgeting that directly influence the efficiency and equity of the intergovernmental transfer mechanism. As such, these reforms end up being window dressing only. The functionality of the planning and budgeting processes depend on improving the role of local actors, enhancing the coordination among the local and central actors, and reducing the political influence over the allocation of intergovernmental transfers.

The methodological approach and the informal mechanism, developed in this dissertation, may be applicable for analyzing similar conflict-affected and fragile contexts. The key characteristics consist of (1) systematic measurement of the local governments performance under specific policies regarding allocation of budget; (2) a focus on similar or diverse set of explanations for political considerations of the central government actors and lobbying strategies of the local actors; (3) a mix of quantitative and qualitative methods; and (4) interpretation of the findings in the context of intergovernmental political economy relations.

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ACRONYMS

ASGP	Afghanistan Subnational Governance Program
BC1	Budget Circular 1
BC2	Budget Circular 2
DoEc	Directorate of Economics
FGFF	First Generation of Fiscal Federalism
FY	Fiscal Year
GDDC	General Directorate of Design and Consolidation
ISLA	Initiative to Strengthen Local Administration in Afghanistan
MoF	Ministry of Finance
MoEc	Ministry of Economics
NUG	National Unity Government
PDP	Provincial Development Plan
PDC	Provincial Development Committee
PFEM	Public Finance and Expenditure Management Law
PFM	Public Finance Management
PFMC	Public Finance Management Committee
PLD	Provincial Line Directorate
PDPG	Provincial Development Planning Guideline
PBP	Provincial Budgeting Policy
PSSC	Provincial Sub-Sectorial Committee
PSTC	Provincial Sub-Technical Committee
SGFF	Second Generation of Fiscal Federalism

TOC

Theory of Change

USAID EGGI

Economic Growth and Governance Initiative project

CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND

All over the world, policy makers wonder how to manage and distribute public funds to provide effective and efficient public goods. This question is more critical in post-conflict and fragile states that lack capacity, accountability, and legitimacy and at the same time receive huge amount of funds from the international community.

Normally functioning governments use intergovernmental transfers as an important tool to redistribute public funds to provide effective and efficient public goods and services. Intergovernmental transfers help central governments channel public funds from higher levels of government, usually the Ministry of Finance, to lower levels of government, or from one local government to another (Boadway and Shah, 2009: 10).

According to the traditional literature on intergovernmental transfers of public funds, the central government allocates or redistributes intergovernmental transfers to provide efficient and equitable public goods and services (Musgrave, 1959; Oates, 1972). This model carries with it the assumption that the central government is a benevolent social planner. This model is known as the First Generation of Fiscal Federalism (FGFF). The Second Generation of Fiscal Federalism (SGFF) rejects such an assumption and emphasizes that the social planners act in their own interests—without commitment to the public’s interest. The SGFF further suggests that the analyses of intergovernmental transfers should consider how political and economic incentives influence a social planners’ decision-making over the allocation of intergovernmental transfers (Oates, 2005; Weingast, 2014). In other words, the SGFF argues that politicians and bureaucrats are motivated by their own policy goals, and the desires and whims of their constituents so as to

be reelected. This second motivation is known colloquially as “pork barrel politics” (Oates, 2005; Weingast, 2014).

The fact, as suggested by the SGFF, that the politicians and bureaucrats are influenced by political and economic incentives does not represent the politics of intergovernmental transfers as a whole. In this regard, two issues are important to consider: first, the politics and rationale behind the design of intergovernmental transfer system—centralized or decentralized—and second, the influence of such design over the behavior of the affected actors (Knight, 1992). Knight suggests that the design of intergovernmental transfers determines the manner of interaction among the affected actors that include central and local governments, citizens, and relevant organizations. This corresponds to the fundamental institutional theory that “institutions are humanly devised constraints that structure political, economic, and social interactions” (North, 1990).

This dissertation adds to the literature on intergovernmental transfers in two ways. First, it sheds light on the different ways the political and economic incentives affect the design of intergovernmental transfers systems—centralized or decentralized. And second, it explains how the central and local actors behave or interact with each other regarding the allocation of intergovernmental transfers. In addition, it clarifies whether centralized or decentralized, political and economic incentives influence the allocation of intergovernmental transfers. In other words, it observes that both central and local actors adopt different strategies for the allocation of intergovernmental transfers.

Regarding central governments, there are some prominent hypotheses in the literature that highlight four politically influenced considerations for the allocation of intergovernmental transfers. These include mobilization referring to the flow of resources towards core supporters (Cox and McCubbins, 1986; Case, 2001; Schady, 2000; Ansolabehere and Snyder 2003; Levitt

and Snyder, 1995); conversion or the flow of resources towards swing voters (Lindbeck and Weibull, 1993; Dixit and Londregan, 1996; Dahlberg and Johansson, 2002); party affiliation (Dasgupta et al, 2001; Khemani, 2003); political representation (Gibson, Calvo and Falleti, 1999; Porto and Sanguinetti, 2001); and the strength and weakness of local governments or actors (Alfonso, 2007). Regarding local actors, while there have been some studies (Callanan and Tatham, 2013; Cammisa, 1995; Chandler, 1988; Haider 1974; Loftis and Kettler, 2015; Nugent, 2009; Kjaergaard, 2016), only one of them specifically explains the lobbying strategies that the local governments or actors may take for achieving intergovernmental funds in Denmark's multiparty system (Kjaergaard, 2016).

However, these hypotheses and models are not generalizable or applicable to all cases, especially to conflict-affected and fragile states. This means that the literature on intergovernmental transfers lacks studies about conflict-affected and fragile states. This dissertation seeks to fill this gap by examining the case of Afghanistan, as it shares specific characteristics with other conflict-affected and fragile states through its highly centralized institutional settings, its fragmented parliament that inspires no party discipline, and weak coordination among the local and central actors.

Adopting a positive approach rather than a normative one, this dissertation develops a theoretical framework to explain what political consideration and lobbying strategies the central and local actors respectively adopt in Afghanistan regarding the allocation of intergovernmental transfers—specifically, the discretionary development budget in this case.

This dissertation shows that the formal rules and the standard criteria—administrative capacity and socio-economic conditions—are not influential for the allocation of intergovernmental transfers in Afghanistan. Rather, an informal mechanism that includes the

political and economic considerations of the central government and the specific lobbying strategies of the local actors are more determinative of decision-making over the allocation of intergovernmental transfers in Afghanistan.

1.2. ALLOCATION OF DISCRETIONARY DEVELOPMENT BUDGET THROUGH DECONCENTRATED PLANNING AND BUDGETING IN AFGHANISTAN

After the fall of the Taliban regime in 2001, Afghanistan, with the support of the international community, started a new era of state building and development. Part of these efforts focused on reforming governance systems to improve the capacity of the Afghan government to provide effective and efficient public goods and services. In doing so, Afghanistan needed a sound public finance management system to ensure allocative efficiency to meet local needs and preferences. As such, Afghanistan relied on a traditional planning and budgeting system in which the central government gained exclusive authority over the planning and budgeting (formulation, allocation, and execution) system. The planning and budgeting system encompassed the allocation of intergovernmental transfers—discretionary development budget in this case. It is notable that in Afghanistan discretionary development budgets are funded in part by domestic revenue and primarily by external sources.

It soon became evident that the highly centralized planning and budgeting system has constrained the effective and efficient provision of public goods and services because of its negative impact on allocative efficiency (incorporating local needs into the national budget); operational efficiency (providing effective and efficient public goods and services); capacity building; and local participation in the planning and budgeting processes (Jalal, 2013; Salthmarshe and Mehdi, 2011; Boex, 2012; Nijssen, 2011). Given the institutional settings that mandated a

highly centralized intergovernmental transfer allocation system, one can definitely assume a significant role of political and economic interest in the allocation of public funds.

Although Afghanistan undertook several initiatives to reform the system during the first two presidential terms, the centralized planning and budgeting system remained the same without significant changes. Reasons for the failure of these initiatives include: (1) they were sporadic pilot projects that were not taken seriously by the central government; (2) the initiatives were not derived from comprehensive planning and budgeting policies; and (3) they lacked unified planning and strategies for reforming the planning and budgeting processes in Afghanistan.

However, the year 2014 was pivotal for a series of reforms in Afghanistan. In that year, Afghanistan held its third presidential election. This election was highly fraudulent, contested, and so divisive that Afghanistan was on the verge of seeing new fault lines open in its ongoing civil war. Recognizing this highly explosive situation, the United States sent its Secretary of State, John Kerry, to broker some sort of solution. The result was the creation of “National Unity Government,” which was a short-term solution that did not really address the problem. It simply postponed it because it was not the result of a democratic process. External interests imposed it. The formation of an externally imposed and illegitimate government coincided with mounting pressure from the international community. The international community was now expecting accountability for the funding they were providing. The reason for this pressure was that the international community perceived that the money they were providing was not being used effectively and efficiently.

As a result of this pressure, the National Unity Government created and instituted two policies: “Provincial Development Planning Guideline” (PDPG) and “Provincial Budgeting Policy” (PBP). There were four general goals of PDPG: (1) to improve the level of local

participation in the planning process for development projects; (2) to clarify the roles and responsibilities of central and local administration; (3) to standardize the process of development planning; and (4) to improve the quality of development plans (PDPG, 2016). The planners of PBP hoped to achieve two outcomes: (1) to link local needs with budget allocations; and (2) to make the budgeting (formulation, allocation, and execution) more transparent, predictable, and equitable (PBP, 2015).

The Afghan government started to implement PDPG and PBP in four sectorial line Ministries of Agriculture, Health, Education, and Rural Rehabilitation and Development throughout the country. In the following year (2016), the Afghan government expanded the implementation of PBP and PDPG to several more line ministries—the Provincial Governor’s Office, Water and Energy Directorate, Public Universities, Public Affairs Directorates, Transportation Directorates, and Work and Social Affairs. Afghanistan has been able to implement the two policies during the last two years, but not the first year because of technical difficulties.

Have these new policies worked? How exactly has the Afghan government been allocating discretionary development budget? Where does the discretionary development budget go? What factors explain the allocation of the discretionary development budget in Afghanistan?

To answer these questions, this dissertation undertakes four levels of analysis. The first explains the politics and rationale behind the adoption of a highly centralized intergovernmental transfer allocation system. The second evaluates the performance of Afghan local administrations in implementing and achieving the goals of PDPG and PBP. The third examines whether administrative capacity and socio-economic conditions explain how the Afghan central government has allocated discretionary development budget during the last four years. Finally, the

fourth explains the key and underlying factors for the allocation of discretionary development budget in Afghanistan.

1.3 RESEARCH QUESTIONS

The fundamental task of this dissertation is to model and systematically analyze the specific political considerations and lobbying strategies and interactions that the Afghan central and local governments respectively adopt—under deconcentrated planning and budgeting reforms—regarding the allocation of discretionary development budget. In doing so, this dissertation seeks to answer four specific questions.

First, what are the politics and rationale behind the adoption of highly centralized planning and budgeting system that has given excessive authority to the central government for the allocation of discretionary development budget in the first hand and reinforcing such centralization through the adoption of PDPG and PBP in the second hand? In other words, what are the politics and rationale behind the origin and continuity of highly centralized planning and budgeting system in Afghanistan? In Chapter Four, I attempt to answer this question.

As the Afghan government adopted these policies to make the planning and budgeting system participatory, predictable, transparent, and equitable, it is important to understand whether the Afghan central and local governments have been able to achieve these goals. In other words, the question is: How has the implementation of PDPG and PBP improved participation, predictability, transparency, and equitability in the allocation of intergovernmental transfers or discretionary development budget? Chapter Five covers the answer for this question.

Third, what factors explain the allocation of intergovernmental transfers or discretionary development budget, under the deconcentrated planning and budgeting systems, in Afghanistan? I seek to answer this question under Chapters Six and Seven of this dissertation.

And finally, what policy recommendations regarding the PBP and PDPG and the overall fiscal reforms does the analysis hold for the donors and the Afghan government? How effective was the donors' support in the implementation of PBP and PDPG? What mechanisms were used, and did this substantially affect reform success? This is the subject for Chapter Eight of this dissertation

1.4 OUTLINE

This dissertation has eight chapters. After reviewing the literature of fiscal federalism and intergovernmental transfers and the contribution of this dissertation in Chapter Two, I elaborate on the research design of this dissertation in Chapter Three. In Chapter Four, I explore and explain the politics and rationales behind (1) the adoption of a highly centralized institutional setting that includes intergovernmental transfers allocation system; and (2) the recently adopted policies that suggest deconcentration of planning and budgeting.

This dissertation has three empirical chapters. In Chapter Five, I evaluate the policy performance of PDPG and PBP. Specifically, I examine whether the implementation of the two policies has improved local participation, transparency, predictability, and equity in the allocation of discretionary development budget (which were the stated objectives of the policy framework). Then, in Chapter Six, I examine whether the standard criteria of administrative capacity and socio-economic conditions explain the amounts of discretionary development budget that the Afghan central government has allocated under PDPG and PBP. I find that they do not, and posit, in Chapter Seven, an informal mechanism as the key factor for explaining the allocation of discretionary development budget in Afghanistan. Through this informal mechanism, I explain both the political considerations of the central government and the lobbying strategies of local actors regarding the allocation of discretionary development budget in Afghanistan. Finally, in

Chapter Eight, I reflect on the findings of this dissertation; draw out implications regarding PDPG and PBP; assess the effectiveness of donor support, and the overall fiscal reforms; and elaborate on the overall contributions of this dissertation to the literature of intergovernmental transfers.

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews the literature related to key themes explored in this dissertation. It has four main sections. The first defines and categorizes intergovernmental transfers. The second outlines the two approaches of fiscal federalism to enhance our understanding of intergovernmental transfers. The third elaborates on (1) the politics and rationales behind the adoption of decentralized institutional settings and specifically the intergovernmental transfer systems; and (2) the typical institutional setting and intergovernmental transfer system in a conflict-affected and fragile state like Afghanistan. The fourth section elaborates on how this dissertation contributes to the second generation of fiscal federalism in general and the study of intergovernmental transfer in particular.

2.1 DEFINITION AND CATEGORIZATION OF INTERGOVERNMENTAL TRANSFERS

Typically, central governments (or Ministry of Finance) channel public funds through intergovernmental transfers to lower levels of government (Boadway and Shah, 2009: 10) or even from one local government to another at the same level. However, one can categorize intergovernmental transfers based on two dimensions: first, the specificity of the purpose of the transfers; and second how the transfers are allocated.

Considering the first dimension, intergovernmental transfers can take either a conditional or an unconditional form (Boadway and Shah, 2009; Musgrave and Musgrave, 1984; Oates, 1972). The conditional intergovernmental transfer is allocated under specific conditions: for instance, the use of intergovernmental transfers for specific purposes (Boadway and Shah, 2009; Musgrave and Musgrave, 1984; Oates, 1972). In contrast, receiving governments have full control over the unconditional intergovernmental transfers as they can spend it for any purposes they wish to

(Boadway and Shah, 2009; Musgrave and Musgrave, 1984; Oates, 1972). The use of local own tax revenues is a good example of unconditional intergovernmental transfers.

The second dimension of intergovernmental transfers refers to how they are allocated. Both conditional and unconditional transfers can have either mandatory or discretionary features. Mandatory intergovernmental transfers are legal and rules-based obligations of the granting government, usually the central governments (Boadway and Shah, 2009). This means that a specific statute or executive order determines the size of the transfer and the conditions under which it is granted. Most of the transfers that are allocated to subnational governments on a regular basis are of mandatory transfers. In contrast, the size of discretionary transfers and the conditions under which they are granted are not determined by rules, but instead are decided on an ad hoc basis

However, conditional intergovernmental transfers have one distinct feature as they are divided into either matching or non-matching transfers. Matching intergovernmental transfers complement the local governments' contributions. For an intergovernmental transfer to be matching, the receiving government should match the transfer by a specified ratio (Boadway and Shah, 2009). At the same time, the matching transfers can be open-ended when the local governments may not be limited to how much funding they receive or close-ended when the local governments are limited by the amount they receive. In contrast, conditional non-matching transfers are not allocated as complementary to subnational contributions and have to be used for a particular purpose, but do not have to be matched by the receiving government.

Finally, unconditional mandatory intergovernmental transfers can take either block grant or general-purpose form. Block grant transfers are granted for specific purposes and since they are not conditional, the receiving governments' actual use of the grant is not controlled (Boadway and

Shah, 2009). In contrast, general-purpose transfers are allocated for general purposes and the receiving governments retain control over how to spend them.

As far as Afghanistan is concerned, this dissertation focuses on the discretionary development budgets that are allocated fully under the discretion of the central government and the Ministry of Finance. In Chapter Four, I provide a detailed description of the definition and classification of budget in Afghanistan.

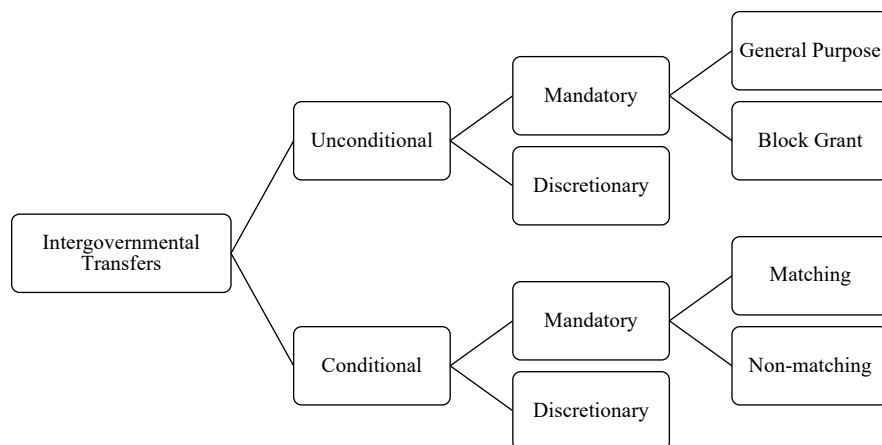


Figure 2.1: Different Categories of Intergovernmental Transfers

2.2 INTERGOVERNMENTAL TRANSFERS THROUGH THE LENS OF FISCAL FEDERALISM

The literature of fiscal federalism introduces two main approaches for understanding intergovernmental transfers. The first is the traditional approach, known as the First Generation of Fiscal Federalism (FGFF), which dates back to the 1950s and 1960s. The FGFF proposes a normative understanding of decentralized public economy to achieve efficiency, macroeconomic stability, and redistribution (Musgrave, 1959; Oates, 1999; Samuelson, 1954).

There are three main contributors supporting this category: Charles Tiebout, Wallace Oates, and James Buchanan. Tiebout’s model of public good provision suggests that decentralization solves the problem of inefficient public good provision where the households are mobile and the citizens “choose by their feet” where to live according to their preferences on tax

and public goods (Tiebout, 1956: 416-24). Wallace Oates proposes the decentralization theorem: if the preference of different jurisdictions match each other, then, centralization would work better; otherwise, decentralization would work better where the different jurisdictions possess different preferences (Oates, 1972). Finally, Brennan and Buchanan suggest the most important contribution in the public-choice perspective of fiscal federalism—Leviathan hypothesis—according to which the fiscal decentralization is a mechanism for constraining the expansionary tendencies of governments (Brennan and Buchanan, 1980). However, the FGFF assumes that the public decision-makers are benevolent social planners with perfect information (Oates, 2005; Weingast, 2009).

The Second Generation of Fiscal Federalism (SGFF) challenges the assumption that “distribution of responsibility and allocation of funds across layers of government is made by a benevolent social planner” (Oates, 1972). Instead, the public decision-makers pursue their own interests rather than the public interest and they lack perfect information (Oates, 2005; Weingast, 2009). As such, the SGFF highlights the importance of political and fiscal institutions in understanding how public economy works as the institutions shape and influence the behaviors and incentives of public decision-makers.

This means that the SGFF deals with analyzing and modeling institutions and decision-makers’ behaviors to understand the effects of different aspect of fiscal federalism. In other words, the SGFF adopts a positive approach to understand how the public economy works. A major strand of SGFF literature focuses on decentralization and intergovernmental transfers (Oates, 2005; see for example Qian and Weingast, 1997; Weingast, 2009, 2014). In this regard, a key question in the literature of SGFF concentrates on how the design (the extent of centralization or decentralization) of intergovernmental political and fiscal institutions affects outcomes such as democracy,

corruption (Weingast, 2009) and local performance (Brennan and Buchanan, 1980; Rodden, 2002, 2006). This in turn highlights the fact that the design (the extent of centralization or decentralization) of institutional settings shape and influence the behavior of the actors.

2.3 THE POLITICS AND RATIONALES BEHIND CENTRALIZATION AND DECENTRALIZATION

In order to further elaborate on the effects of the design of intergovernmental political and fiscal institutions, this section highlights the politics and rationales behind the adoption of decentralized political and fiscal institutions with particular focus on intergovernmental transfer systems. Generally speaking, fiscal decentralization has gained prominence and has been praised for its ability to improve the quality of government performance with regard to governance related functions. There is an extant literature on the rationales behind decentralization reforms.

The first rationale for adopting decentralization policies is often associated with democratic reform and strengthening the role of civil society (Diamond, 1999; Manor, 1999; Wunsch, 1998). The democratic reform aspect of decentralization implies that bringing the government closer to the people—solving the agency problem—paves the groundwork for public participation in decision-making and ensures transparency and accountability (Diamond, 1999). However, the literature provides no strong evidence to support the bottom-up pressures for decentralization. In this regard, James Manor argues that the ordinary people usually have little influence over the decision to decentralize and that the people develop enthusiasm in decentralization after decentralization occurs (Manor, 1999).

The second rationale for decentralization refers to the accommodation of regional demands for further autonomy derived from ethnic, cultural, linguistic, and religious divisions (Van Houten 1999; Sharpe 1993). In these situations, decentralization is the result of pressure from local

governments that claim to be more able than the central government to provide specific services in accordance with the needs and preferences of their constituencies. The literature also highlights the importance of decentralization policies to cope with political decay (Dickovick, 2011). This specifically refers to situations where the central governments would be losing their legitimacy and control over the peripheries. As such, the central government would rely on decentralization and power sharing in order to compromise the threat to its existence.

Another line of argument for further autonomy relies on limiting the central government's power and authority through devolving power to local governments that in turn results in more responsive and inclusive governance (Bennett 1998; Blair 2000; Fiszbein and Lowden 1999). Such responsiveness and inclusiveness, in turn, results in regime stabilization (World Bank, 1996; White III, 1997). Therefore, decentralization works as a tool for the central governments to increase legitimacy and sustainability in a heterogeneous state.

Finally, the third rationale highlights the role of decentralization in improving administrative efficiency in the provision of public goods and services (Bateley 1996; Burki et al 1999; Saves 2000). The efficiency argument contends that decentralized planning and administration can facilitate the identification and satisfaction of local needs and expectations, in particular, of those in minority (Bruki et al 1999; Cheema and Rondinelli 1983).

The proponents of centralized institutional settings argue that centralization helps conflict-affected and fragile countries to prevent fragmentation of state institutions, weak or non-existent institutional links between the center and periphery, and low or a lack of administrative capacity (Cramer and Goodhand, 2002: 885-886).

Nevertheless, the above rationales and explanations for centralization and decentralization can be situated in the normative approach of public economy to achieve efficiency. These

racionales and explanations are not sufficient to explain the driving forces behind decentralization as they ignore the importance of political incentives derived from institutions that may push the politicians to decide far from the most preferable or efficient ones. In this regard, León-Alfonso provides a convincing political explanation for decentralization. León-Alfonso argues that decentralization takes place due to political motivations derived from macro and micro logics.

León-Alfonso defines macro logics as:

Those that set the state where fiscal decentralization takes place, limit the range of choices political elites have and define the feasibility of decentralization. They are related to the path dependent processes that account for the existing institutional, organizational, and policy settings of the country; or demographic and physical characteristics; or to a temporary event (like an economic downturn) (León-Alfonso, 2006).

As such, León-Alfonso argues that the macro logic does not provide the convincing causal mechanism applicable on different context because the historical, cultural, organizational, and institutional settings of countries differ and such contexts affect the type of decision over decentralization. However, León-Alfonso argues that the micro logic provides a convincing causal mechanism for decentralization because decentralization is perceived “as a political choice made by political elites” (León-Alfonso, 2006: 60). León-Alfonso argues “the choice [for decentralization] is determined by the interaction of national and subnational politicians’ goals with the leverage and incentives that stem from the institutional setting” (León-Alfonso, 2006: 60-61). León-Alfonso’s argument matches with Knight’s point of view that institutional setting, specifically, the design of intergovernmental transfers are distributional and re-distributional institutions. This means that actors affected by these institutions have strong political and economic interests in their design (Knight, 1992).

2.4 CONTRIBUTIONS OF THIS DISSERTATION

This dissertation operates within SGFF. As noted already, the SGFF seeks to model the political and fiscal institutions and public decision-makers' behaviors in order to understand the effects of different aspects of fiscal federalism. A good example of such work refers to the effects of decentralization on the allocation of intergovernmental transfers. This aligns with Knight's argument that intergovernmental transfers are distributional and re-distributional institutions that means actors affected by these institutions have strong political and economic interests in their design (Knight, 1992).

Building on these insights, this dissertation contributes in three ways—broadly to the literature of SGFF and narrowly to the literature of intergovernmental transfers—by examining a conflict-affected and fragile state like Afghanistan. These contributions include (1) characterizing the institutional setting, specifically, the design of intergovernmental transfers systems in a conflict-affected and fragile state like Afghanistan; (2) the political considerations of allocating intergovernmental transfers by central governments; and finally (3) unpacking the specific and lobbying strategies of local actors for receiving intergovernmental transfers.

2.4.1 The Institutional Settings, Fiscal Decentralization, and Intergovernmental Transfer System in Conflict-affected and Fragile Countries

In the preceding sections, it became evident that the micro logics—the political and economic incentives of the elites—are involved in the decision-making process over decentralization. These elites or actors include both central and local ones. However, as far as a conflict-affected and fragile state like Afghanistan is concerned, it is important to also consider also the role and influence of the state builders in the design of institutional settings that include the intergovernmental transfer system. This section seeks to characterize and model the type of

institutional settings—including the intergovernmental transfer system—that Afghanistan as a conflict-affected and fragile state has adopted over the past few years.

Given the typical weakness of state capacity to provide security and services; and the societal complexity due to cultural, ethnic, linguistic, and religious dividedness; the conflict-affected and fragile states consistently lack political legitimacy. The legitimacy criterion constitutes a necessary condition for stability and effective governance in conflict-affected and fragile states (Brinkerhoff, 2007). Such weakness or lack of legitimacy puts at risk the continuation of state building and development efforts in conflict-affected and fragile contexts.

This dissertation, as the first part of its contribution, shows that the design of institutional settings that include intergovernmental transfers system matters because such design helps the central government to maintain political legitimacy and remain in power. It further characterizes the politics and rationale behind how and why conflict-affected and fragile countries like Afghanistan end up with such a centralized institutional setting. In Chapter Four, I provide a more detailed explanation of the origin, stability, and continuity of the centralized institutional setting in Afghanistan. It is mentionable that I rely on theories of lock-in effect mechanism of policy feedback theory to explain the continuity of centralized institutional settings in Afghanistan.

In this regard, David Lake prominently characterizes the governments in post-conflict and fragile contexts. According to Lake, the incentives for state builders to undertake the high cost of state building in conflict-affected and fragile contexts is their interests in the future policies of the states being built (Lake, 2016). As such, the state builders take two important actions: centralizing governance and appointing their loyal politician as the head of state in the states being built. Because the politicians who are loyal to state builders often prove to lack legitimacy in the eyes of the people in the states being built, the state builder's dilemma occurs. According to Lake, the

state builder's dilemma refers to this imbalance between legitimacy and loyalty in conflict-affected and fragile countries. Lake considers such imbalance between legitimacy and loyalty as the main cause of failure in US-led state building experiences (Lake, 2016).

Under Lake's theory, the state builders have imposed—with few exceptions—highly centralized governance institutions on the states being built. Such centralization gives excessive political, fiscal, and administrative authorities to the loyal politicians and the central government. As such, the local government appears to be only implementers of the central government's policies and directions. Such centralization is most favorable for loyal politicians in order to gain legitimacy and for the state builders who have interests in the future policies of the states being built.

Considering North's theory that institutions shape and influence the behavior of actors (North, 1990), the adoption of centralized governance institutions determines the performance of the loyal politicians in different aspects, in particular regarding the allocation of public funds, in conflict-affected and fragile contexts. First, the loyal politicians tend to use public funds to gain legitimacy and political capital as they have weak or no legitimacy in the eyes of the people. In this regard, Lake argues “the state builders will channel their resources to their selected leader, who then divert those resources to his own, narrow political coalition with the acquiescence if not the active support of the state builder” (Lake, 2016: 12).

Likewise, Stuti Khemani argues that politicians use public funds to gain political capital rather than providing public services (Khemani, 2015). Khemani introduces the political capture concept by which he means that the political elites initiate decentralization in order to use transferring grants to local jurisdiction to effectively buy votes so that they remain in power (Khemani, 2015). In this context, decentralization would allow the elites to use the public funds

not to provide basic services, but to satisfy local power holders desire to gain legitimacy and support at times of national elections. Although Khemani focuses on decentralization, the concept of political capture supports with what Lake suggests in the context of conflict-affected and fragile contexts.

Second, the centralized institutional settings motivate the loyal politicians to achieve only a “minimum winning coalition” to remain in power, nothing more. According to William Riker, “In n-person, zero sum games, where side-payments are permitted, where players are rational, and where they have perfect information, only minimum winning coalitions occur” (Riker, 1962: 32). Such a mechanism in and of itself negatively impacts the participatory and representative aspect of governance in conflict-affected and fragile countries that in turn undermines legitimacy.

Third, centralized governance institutions create natural states instead of open access societies. According to North *et al*, natural states create governments that are solely controlled by limited number of individuals with exclusive authority over the wealth and power of the state (North *et al*, 2013). This is while open access societies share authority to control the state and access to wealth and resources of the state. North *et al* go further and argue that the natural states, derived from centralized governance institutions, create a clientelistic system in which “politicians accumulate support by supplying private benefits—money or jobs—rather than public goods” (North *et al*, 2013).

In line with North *et al*, Henry Hale argues that the very nature of presidentialist constitutions makes presidents to take actions in order to have the opposition cooperate with their policies (Hale, 2011: 582). Hale compares the constitutions of Kyrgyzstan and Ukraine—presidential and divided executive constitution, respectively—and argues that the “important

outcome that changed was not the level of clientelistic politics but the arrangement of clientelistic networks into more competitive rather than more closed configurations” (Hale, 2011: 598).

In summary, Afghanistan, with its highly centralized institutional settings, exemplifies above characteristics. These characteristics enable the Afghan central government to use public resources to gain political support and legitimacy to remain in power. With these characteristics, Afghanistan presents a suitable case because of three reasons. First, the case of Afghanistan presents a context in which the political and economic incentives of both state builders and domestic political elites overlap for a highly centralized institutional setting, including intergovernmental transfer systems. Second, the case of Afghanistan presents a fragmented political context in which the level of representation and participation is greatly low vis-à-vis the executive, because the exclusive presidential system and in parliament because of the electoral system induces no party discipline and instead produces fragmentation. Finally, the case of Afghanistan presents a different logic—that include political and economic incentives to gain political legitimacy to remain in and extend power, and to maintain loyalty to state builders—for the allocation of intergovernmental transfers.

2.4.2 Political Considerations of Central Governments for the Allocation of Intergovernmental Transfers

Central governments constitute the first set of actors involved in the allocation of intergovernmental transfers. The literature of SGFF has produced numerous studies on the strategic allocation of intergovernmental transfers or “pork barrel politics.” This strand of literature shows how central governments allocate intergovernmental transfers to enhance their political and economic interests. Such political and economic interests appear in the form of reelection efforts

or pork barrel politics (Balla, Lawrence, Maltzman, and Sigelman, 2002; Mayhew, 1974; Stein and Bickers, 1994; Stokes, 2009).

The literature provides different hypotheses regarding the political considerations of central governments for the allocation of intergovernmental transfers. The first hypothesis suggests that central governments allocate intergovernmental transfers to particular geographic areas. This even applies to formula-based intergovernmental transfers (Allers and Ishemoui, 2011). According to this hypothesis, central governments allocate intergovernmental transfers for two purposes: first to mobilize political support by transferring funds to core support areas; and second to convert political support through tactical allocation of intergovernmental transfers to jurisdictions where the incumbent expects a close electoral contest.

In this regard, the literature provides studies in both unitary and federal systems. In unitary states, Case and Schady provide empirical evidence supporting the mobilization model. Case uses the case of Albania and finds a “positive, significant and robust relationship” between the levels of political support for the incumbent party—Democratic Party—from the communes and the ultimate amount of intergovernmental transfers received by them (Case, 2001). Likewise, Schady examines the case of Peru and the method of funding through FONCODES, a social funding program to improve employment rates and access to social services and alleviate poverty. Schady shows that the funds are disproportionately allocated to the provinces in which Fujimori’s party had lost electoral support (Schady, 2000). Furthermore, Dahlberg and Johansson provide evidence in support of central government use of intergovernmental transfers for swing jurisdictions. Dahlberg and Johansson examine how the Swedish central government used intergovernmental transfers to win votes in specific swing municipalities (Dahlberg and Johansson, 2002).

In federal countries, Ansolabehere and Snyder provide empirical evidence in support of the mobilization model. Ansolabehere and Snyder focus on state level and show how the governing parties of states in the U.S. from 1957 to 1997, allocated intergovernmental transfers to the counties in which the majority party had higher levels of electoral support (Ansolabehere and Snyder 2003). Levitt and Snyder provide empirical evidence supporting similar hypothesis of a mobilization model in a federal context like the United States (Levitt and Snyder, 1995).

In addition to considering the core and swing jurisdiction, the literature provides studies that highlight how central governments consider characteristics of local governments in deciding the allocation of intergovernmental transfers. These characteristics include party affiliation and political representation. The former occurs if the local and central government belong to the same party and the latter suggests the degree of local representation in the legislative chambers. The party affiliation and political representation hypotheses form the supply-side approach in explaining political considerations of the central government when allocating intergovernmental transfers. Therefore, studies have found that the alignment and party affiliation of the local governments with the central governments affect the amount of intergovernmental transfers that the local governments receive (Dasgupta et al., 2001; Khemani, 2003; Arulampalam et al., 2009; Brollo and Nannicini, 2012; Sole-Olle and Sorribas-Navarro, 2008; Veiga and Pinho, 2007).

In addition to the supply-side approach, the literature also suggests a demand-side approach as well. This refers to the central government's evaluation of the strength and weakness of the local governments to pressure the central government regarding the allocation of intergovernmental transfers (León-Alfonso, 2007).

As elaborated, there are different hypothesis to explain the political considerations of central governments for the allocation of intergovernmental transfers. However, these explanations

are not generalizable and applicable in different contexts. In order to make sense of what has occurred in Afghanistan, this dissertation adopts a positive approach to explain the political considerations that the Afghan central government has considered when allocating intergovernmental transfers. In doing so, this dissertation suggests that the political considerations of the Afghan central government fits under a political affiliation model that is similar to the supply-side and demand side approaches introduced by the literature. The political affiliation model consists of three elements: political relationship, political importance, and strength and weakness of the local administrations.

2.4.3 Lobbying Strategies of Local Governments for Receiving Intergovernmental Transfers

Finally, this dissertation contributes to the literature of intergovernmental lobbying by local actors. Generally speaking, local actors may influence decision-making over the allocation of intergovernmental transfers through either formal venues or informal ones, which are termed as intergovernmental lobbying (Cammisa, 1995; Haider, 1974; Loftis and Kettler, 2015; Kjaergaard, 2016). Although this dissertation explains both formal and informal venues through which the local governments interact with the central government in Afghanistan, this section elaborates on how this dissertation explains the specific lobbying strategies of the Afghan local actors vis-à-vis the central government. The literature on intergovernmental lobbying includes studies on how local actors influence decision-making over the allocation of intergovernmental transfers by central governments (Cammisa, 1995; Cigler, 1994; Haider, 1974), but only a few of them have sought to explain how local actors lobby for intergovernmental transfers. For instance, Loftis and Kettler study how U.S. cities spend money on individual lobbyists in order to gain more intergovernmental transfers. While focusing on the amount of money spent, this study fails to unpack the specific lobbying strategies by local actors (Loftis and Kettler, 2015). Likewise,

Freeman and Nownes suggest some strategies that local actors use, but they do not link these strategies to intergovernmental transfers (Freeman and Nownes, 1999).

However, only one recent study by Kjaergaard “Politics and Intergovernmental Grants,” provides specific lobbying strategies that local actors adopt regarding the intergovernmental transfers in the multiparty system of Denmark (Kjaergaard, 2016). Specifically, Kjaergaard categorizes the local actors’ lobbying strategies considering two dimensions of “intensity of strategy” and “mode of strategy” (Kjaergaard, 2016). According to Kjaergaard, the intensity of strategy refers to how active or passive the local actors are regarding their lobbying activities and the mode of strategy consists of the individual and collective aspect of lobbying by the local actors. While Kjaergaard represents the only study to specifically explore the local actors’ lobbying strategies, the literature still needs more studies exploring such lobbying strategies by local actors in different political dynamics.

As such, this dissertation contributes to the literature of intergovernmental lobbying strategies by adapting and testing the intensity and mode of lobbying strategies in a conflict-affected and fragile state like Afghanistan. Unlike Kjaergaard’s study of Denmark, which concerns a secure consolidated democracy with a functioning multiparty system, this dissertation studies Afghanistan, an insecure nascent democracy with severe ethnic, linguistic, and religious dividedness, and resulting fragmentation.

CHAPTER THREE: RESEARCH DESIGN

This chapter has three parts. The first presents the important concepts used in this dissertation. The second introduces the explanatory framework of this dissertation for explaining the formal and informal mechanisms through which the central and local actors may influence the allocation of intergovernmental transfers. The formal mechanism refers to the performance of the Afghan local actors under the PDPG and PBP, and the informal mechanism elaborates on the political considerations of the central government and the lobbying strategies of the local actors regarding the allocation of intergovernmental transfers. Finally, the third section explains the fieldwork methods employed in this dissertation.

3.1 KEY ORGANIZING CONCEPTS

3.1.1 Local Administrations

Decentralization, broadly defined, refers to the transfer of planning, decision-making, or administrative authority from central to local governments or entities (Rondinelli and Cheema, 1983: 18). The literature suggests that the extent of transfer distinguishes between different forms of decentralization: deconcentration, delegation, devolution, and federalism. While deconcentration represents the weakest forms of decentralization, devolution is the strongest form of decentralization. Figure 3.1 depicts different forms of decentralization, from weakest to the strongest.

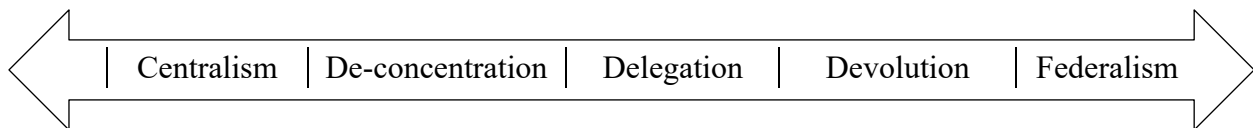


Figure 3.1: Centralization vs. Decentralization Spectrum

Local administration fits under the deconcentration category that represents the weakest form of power distribution. Under the local administration system, all local levels of government

work as agents of the central government—primarily the executive branch. Afghanistan fits very well under the local administration category—integrated type as opposed to unintegrated¹—where the head of the local administration and most other line ministry staff are appointed by the central government (Rondinelli and Cheema, 1983: 19).

3.1.2 Local Administrations’ Performance under PDPG and PBP

The local administrations’ performance under PDPG and PBP refers to the formal mechanism through which the Afghan local administrations seek to obtain intergovernmental transfers—the discretionary development budget. As such, local administrations’ performance consists outputs and outcomes of the implementing PDPG and PBP by the Afghan local administrations. In this regard, the implementation outputs—resulting from implementing the key activities required by PDPG and PBP—include creating provincial planning and budgeting technical committees, developing provincial development plans (PDPs), and completing Budget Circulars 1 and 2. The outcomes of implementation, however, include incorporation of PDPs in the national budget, improved participation, and allocative efficiency factor that consists of predictability, transparency, and equity. This review of performance seeks to compare the implementation outputs and outcomes with the ultimate amount of discretionary development budget under PDPG and PBP.

¹ **Integrated local administration:** “A form of de concentration in which field staff of central ministries work within a local jurisdiction under the supervision or direction of a CEO of that jurisdiction, who is appointed by and responsible to the central government.” **Unintegrated local administration:** “An arrangement under which the field staff of central ministries and administrative staff of local jurisdiction operate independently of each other.” (Rondinelli and Cheema, 1983)

3.1.3 Discretionary Development Budget

As elaborated in Chapter Two, intergovernmental transfers are categorized based on two dimensions: first, the specificity of the purpose of the transfers; and second how the transfers are allocated. While the first dimension suggests conditional or unconditional purpose of intergovernmental transfers, the second dimension proposes the mandatory and discretionary manner of allocating intergovernmental transfers. Whether conditional or unconditional, the intergovernmental transfers may take the form of a mandatory or a discretionary manner of allocation by the central governments.

In this regard, Afghanistan operates under a highly centralized institutional setting that gives its central government exclusive authority for the allocation of discretionary development budget. Given such exclusive authority for the allocation of intergovernmental transfers, the Afghan fiscal laws, regulations, and policies have all recognized the transfers as discretionary development budget. Therefore, the terms “intergovernmental transfers” is used interchangeably with “discretionary development budget” in this dissertation.

3.2 ANALYTICAL STRATEGY

This section describes the analytical strategy of this dissertation. This strategy seeks to achieve two main goals: first, to explain the politics and rationale behind the design of intergovernmental transfers in a conflict-affected and fragile state like Afghanistan; and second how such design affects the behavior and interaction of the Afghan central and local actors regarding the allocation of discretionary development budget. Although this strategy is contextually specific to the case of Afghanistan, it may be of broader applicability, especially for analyzing similar conflict-affected and fragile states. This strategy works through several levels.

3.2.1. Level One: Politics and Rationale behind Centralized Institutional Setting

As the first level of analysis, I explain the politics and rationale behind the adoption of highly centralized institutional settings that include intergovernmental transfers system in Afghanistan. I conduct this level of analysis under two stages. The first relates to the origin of the highly centralized institutional settings in Afghanistan. I rely on David Lake's theory of "State Builder's Dilemma" that suggests state builder's favoritism towards centralized governance system in conflict-affected and fragile countries. According to Lake, state builders do not initially decide to build states unless they gain certain political and economic interests in the state being built (Lake, 2016). In line with that, the state builders take two actions: first, they appoint their loyal politician as the head of the state being built; and second, they channel their resources to the loyal politician who, in turn, uses the resources to fund his own narrow circle to maintain acquiescence if not active support for the state builder (Lake, 2016). To achieve the second action is not possible without a highly centralized institutional setting. However, the case of Afghanistan aligns with Lake's theory.

After the 9/11 terrorist attacks in 2001, the international community, led by the USA, initiated a state building and development process in Afghanistan. Afghanistan adopted a highly centralized institutional setting that gave excessive authority to the central government to allocate discretionary development budget largely funded by third countries. This centralization failed to achieve allocative efficiency (incorporating local needs into the national budget); operational efficiency (providing effective and efficient public goods and services); capacity building; and local participation in the planning and budgeting processes (Jalal, 2013; Salthmarshe and Mehdi, 2011; Boex, 2012; Nijssen, 2011).

Having failed to significantly reform the planning and budget allocation system, Afghanistan adopted two new policies, PDPG and PBP, in 2015. However, the two policies did not propose significant changes to the status quo and only suggested deconcentration of planning and budgeting.

As the second stage, I attempt to explain why these two newly adopted policies suggest stability and continuity of the highly centralized planning and budgeting system in Afghanistan. In doing so, I rely on the lock-in effect mechanism of policy feedback theory. According to lock-in effect mechanisms, “the politics create policies and policies create politics” (Skocpol, 1992: 58). This theory suggests that the actor’s political and economic interests mandate the design of institutions that in turn create a set of actors or networks that gain interest from the institutions. As such, these actors or networks oppose any change in the status quo. This forms the theoretical basis to explain the stability and continuity of centralization in Afghanistan. As the state builder’s dilemma continued to exist in Afghanistan, the Afghan government did not deviate from centralization path and did not disrupt the status quo.

3.2.2. Level Two: Allocation of Discretionary Development Budget under the Recent Planning and Budgeting Reforms (PDPG and PBP)

Consistent with the primary goal of this dissertation, explaining the patterns of discretionary development budget allocation, it is important to first examine how the formal planning and budgeting processes work under PDPG and PBP. As such, I, under the second level of analysis, undertake a policy performance evaluation. I aim to show how the Afghan central government allocated discretionary development budget under PDPG and PBP and whether it has been successful to achieve the intended outputs and outcomes of the two policies.

Due to technical difficulties, the Afghan government could not implement the PDPG and PBP in the first year of their adoption; therefore, I evaluate the implementation outputs and outcomes of the two policies during the fiscal year 1397. It is important to note that I do not measure any specific welfare indicators of the implementation of PDPG and PBP due to the difficulty of developing causal relationships and the short time span of PDPG and PBP implementation.

This performance evaluation of local administrations is informed by the literature of policy performance evaluation and specifically the scholarships from Putnam, Stoner-Weiss, Fritzen, and Grindle that suggest breaking the “policy reform into measurable components” (Fritzen, 2000: 44; see also, Putnam, 1993; Grindle, 2007; Stoner-Weiss, 1997). In particular, this research “links the formal statement of the intended effects of the reform . . . to specific indicators or group of indicators, which function as the measure of local [administrations’ performances]” (Fritzen, 2000: 44).

Relying on the texts of PDPG and PBP and interviews with the local officials in Afghanistan, I evaluate the performance of Afghan local administrations based on eight indicators. Three of these indicators relate to the output of implementing PDPG and PBP that consist of creating provincial planning and budgeting technical committees; developing provincial development plans; and completing Budget Circulars 1 and 2. The other five indicators define outcomes that include the percentage of provincial development plans incorporation in the national budget; the share of local participation in the allocation of discretionary development budget; and allocative efficiency, which is assessed by assessing predictability, transparency, and equity. If achieved, it means that the implementation of PDPG and PBP has helped the Afghan government to improve participation and allocative efficiency.

I use a theory-based evaluation to undertake this second level of analysis. After defining and elaborating on the elements of theory of change, I present data on implementation outputs and outcomes and accordingly analyze them. In terms of methodology, I use a non-randomized trial and use all 34 Afghan local administrations as units of analysis. In terms of data, I extensively rely on reports and government websites. With respect to administrative capacity, I use ISLA-USAID annual reports on the implementation performance of the Afghan local administration. For socio-economic conditions, I use data from MoF and Afghanistan Statistics Organization websites.

3.2.3. Level Three: Potential Factors Underlying the Allocation of Discretionary Development

Budget

In the third level of analysis, I test the effect of two potential factors of administrative capacity and socio-economic conditions in the allocation of discretionary development budget during the fiscal year 1397. Specifically, I measure whether the Afghan government has allocated discretionary development budget based on administrative capacity and socio-economic conditions. With respect to administrative capacity, I measure three specific indicators of individual skills, institutional skills, and plan quality. For socio-economic conditions, I measure five indicators that fall into two categories of fiscal capacity (revenue contribution, spending needs, and spending capacity) and social indicators (discretionary development budget per capita and area).

To test these indicators, I use non-randomized trials and use all 34 Afghan provinces as units of analysis. I rely on ISLA-USAID's reports and data from MoF and Afghanistan Statistics Organization websites. Accordingly, my analysis includes two sections. I first present data to analyze the performance of the four case studies, and then I complement my analysis by presenting and analyzing the performance of the 34 Afghan local administrations together.

3.2.4. Level Four: Informal Mechanism as the Key Explanatory Factor for Allocating Discretionary Development Budget

As the fourth and final level of analysis, I introduce and test an informal mechanism that consists of two main parts. The first relates to the political considerations of the Afghan central government for allocating discretionary development budget, and the second unpacks the lobbying strategies of the Afghan local actors vis-à-vis the central government for receiving discretionary development budget.

Under this level of analysis, I use in-depth case study method and analyze four Afghan local administrations of Kandahar, Parwan, Takhar, and Balkh. I extensively rely on qualitative evidence drawn from in-depth interviews conducted during four months of field research in Afghanistan.

Political Considerations of the Afghan Central Government for Allocating Discretionary Development Budget

Given the non-generalizability and inapplicability of the existing hypotheses in the literature of intergovernmental transfers, I adopt a positive approach to introduce the political considerations of the Afghan central government for the allocation of discretionary development budget. As such, I firstly test the six main hypotheses that fall under two categories of supply-side approach and demand-side approach. The supply-side approach consists of four indicators: mobilization (transfer of funds to core support areas); conversion (transfer of funds to swing areas), political representation; and party affiliation. The demand-side approach examines the strength and weakness of the local administrations. Based on the qualitative data drawn from in-depth interviews, I introduce a different model—political affiliation model—that is unique to the case of

Afghanistan. This model has three elements: political relationship, political importance, and strength and weakness of local administrations.

Lobbying Strategies of Local Actors

As the second aspect of the informal mechanism, I adapt and test the existing hypotheses on the lobbying strategies of local actors in the case of Afghanistan. As such, I test four specific lobbying strategies of local actors that fall under two categories of intensity and mode of lobbying strategy. Having combined the two dimensions, these lobbying strategies include active collective, passive collective, active individual, and passive individual lobbying strategies.

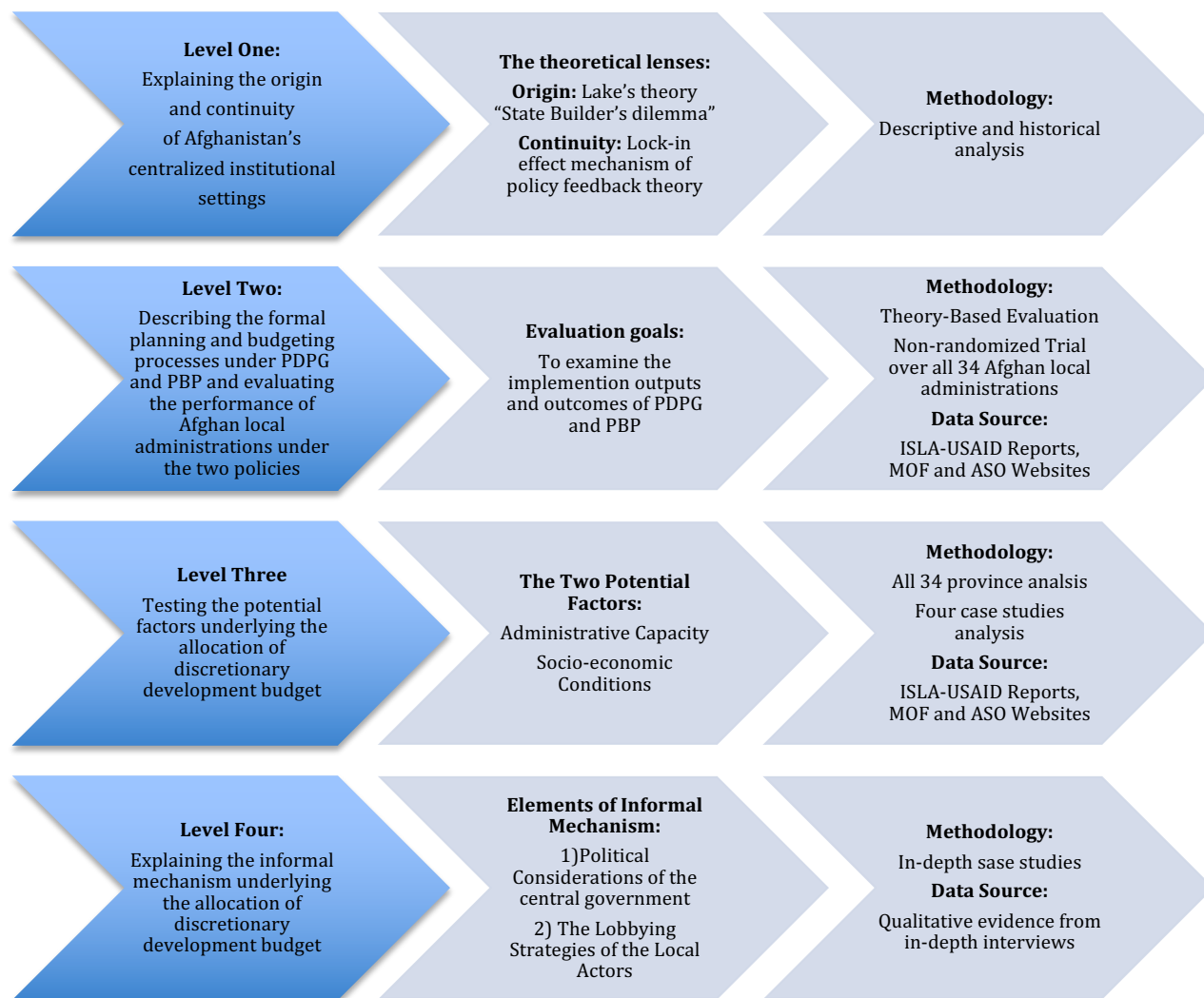


Figure 3.2: Analytical Strategy of the Dissertation.

3.3 FIELDWORK METHOD

This part elaborates on the case selection and data collection methods. For the three empirical chapters that represent the second, third, and fourth levels of analysis of this dissertation. I use two different sampling methods. The first method uses all 34 Afghan local administrations as units of analysis, while the second non-randomly selects four local administrations as the units of analysis. However, the second sampling method fits under the purposive sampling of heterogeneous that represent the informal sampling method. Under this method, I aim to show

diversity on the outcome of interest—in this case, the amount of discretionary development budget.

Table 3.1 shows the specific use of the two sampling methods for the three empirical chapters of this dissertation.

Table 3.1: The Use of the Two Sampling Methods Across the Three Empirical Chapters

Type of Mechanism	Case Selection Approach
Formal	34 Local Administrations & Four Local Administrations
Potential Factors of Administrative Capacity and Socio-Economic Conditions	34 Local Administrations & Four Local Administrations
Informal	Four Local Administrations

Regarding the selection criteria for the case studies, I have considered two main conditions: first, the categorization of provinces into three categories (ranked first, second, and third based on size, population, and socio-economic development) according to Afghanistan’s local administration law; and second, the amount of discretionary development budget as per MoF website. Accordingly, I have non-randomly selected four local administrations—Kandahar, Parwan, Takhar, and Balkh—for in-depth case study analysis. These provinces have received discretionary development budget from higher to lower respectively. It is important to note that I selected these cases after one month of pilot field research in three provinces of Balkh, Herat, and Kabul.

Table 3.2: The Key Characteristics of the Case Studies

Criteria /Province	Kandahar	Parwan	Takhar	Balkh
Category	First	Second	Second	First
Location	South	Center	Northwest	North
Population (2017-2018)	1,279,520	687,243	1,017,575	1,382,155
Size (mi ² , 2017-2018)	20,858 mi ²	2,307 mi ²	4,762 mi ²	6,250 mi ²
Amount of Discretionary Development Budget	2,178,175,413	1,493,902,231	1,375,741,355	1,045,815,667

In order to collect the required data, I have primarily relied on qualitative data drawn from in-depth interviews, governmental documents, reports produced by international organizations, and government ministries' websites. These data constitute the basis of analysis for the four main levels of analysis in this dissertation.

Accordingly, I conducted more than 50 interviews. At the central level, I interviewed officials at Ministry of Finance and three other sectorial ministers implementing PBP and PDPG, selected members of economic commission of the parliament, and budgeting advisors in USAID, UNDP, and GIZ. At local level, I interviewed the head of Economics and Finance Directorates of four provinces, provincial governors of two provinces, selective members provincial councils from four provinces, district and village development council members from four province, and ISLA-USAID advisors at five provinces. For the remaining required data, I relied on governmental documents, reports by international organizations, and government ministries' websites.



Figure 3.3: Geographical Locations of the Case Studies

CHAPTER FOUR: FISCAL DECONCENTRATION (PDPG AND PBP): EXPLAINING THE ORIGIN AND CONTINUITY OF AFGHANISTAN'S HIGHLY CENTRALIZED INSTITUTIONAL SETTINGS

In this chapter, I conduct the first level of analysis of this dissertation. Specifically, I attempt to explain the politics and rationale behind the adoption and continuity of the highly centralized institutional setting in Afghanistan, in general, and the planning and budgeting systems for allocating discretionary development budget, in particular. This analysis provides the basis for the political economy analysis conducted in Chapter Seven. This chapter has three main sections: the first explains the politics and rationales behind the adoption of highly centralized institutional settings; the second explains how such centralized institutional settings continued without any change since 2001; and finally, the third elaborates on the potential interpretation of PDPG and PBP.

4.1. EXPLAINING THE ORIGIN OF CENTRALIZED PLANNING AND BUDGETING PROCESSES IN AFGHANISTAN

There is substantial debate over the design and effects of intergovernmental political and fiscal relationships on rebuilding conflict-affected and fragile states. Generally, the state builders and the states being built tend to adopt either centralized or decentralized institutional settings. Although the proponents of each approach propose their rationales and justifications behind centralization and decentralization, they fail to provide key explanations behind the decision to choose one over the other. To be clear, the proponents of centralization and decentralization provide normative explanations for the adoption of centralization or decentralization.

For instance, the proponents of centralized institutional settings argue that centralization helps conflict-affected and fragile countries prevent fragmentation of state institutions; weak or

non-existent institutional links between the center and periphery; and low or a lack of administrative capacity (Cramer and Goodhand, 2002: 885-886). Likewise, the proponents of decentralization provide three main rationales for decentralization policies. The first is often associated with democratic reform and an improved role for civil society (Diamond, 1999; Manor, 1999; Wunsch, 1998). This rationale of the democratic reform aspect of decentralization suggests that bringing the government closer to the people—solving the agency problem—paves the way for public participation in decision-making and ensures transparency and accountability (Diamond, 1999). However, the literature does not support a conclusion that bottom-up pressure and lobby result in decentralization. In this regard, James Manor argues that ordinary people usually have little influence over the decision to decentralize and that people develop enthusiasm in decentralization after it is already in place (Manor, 1999).

The second rationale for decentralization concerns the accommodation of regional demands for further autonomy that is derived from ethnic, cultural, linguistic, and religious divisions (Van Houten 1999; Gobetti 1996; Sharpe 1993). In these situations, decentralization is the result of pressure from local governments that claim to be more capable than the central government to provide specific services in accordance with the needs and preferences of their constituencies. As part of this rationale, the literature also highlights the importance of decentralization policies that cope with political decay (Dickovick, 2011). This specifically refers to situations where the central government would be losing its legitimacy and control over the peripheries. As such, the central government would rely on decentralization and power sharing in order to compromise the threat to its existence.

Another line of argument for further autonomy points to limiting the central government's power and authority through devolving power to local governments that in turn results in more

responsive and inclusive governance (Bennett 1998; Blair 2000; Fiszbein and Lowden 1999). Such responsiveness and inclusiveness subsequently result in regime stabilization (World Bank, 1996; White III, 1997). Therefore, decentralization works as a tool for central governments to increase legitimacy and sustainability of a heterogeneous state.

Finally, the third rationale highlights the role of decentralization in improving administrative efficiency in the provision of public goods and services (Bateley 1996; Burki et al 1999; Saves 2000). The efficiency argument contends that decentralized planning and administration can facilitate the identification and satisfaction of local needs and expectations, in particular, of those in the minority (Bruki et al 1999; Cheema and Rondinelli 1983). For instance, the local population would have the chance to express their needs and, if possible, participate in decision-making.

However, the above rationales and explanations for centralization and decentralization fall under a normative approach to public economy to achieve efficiency. These rationales and explanations are not sufficient to explain the driving forces behind centralization or decentralization as they ignore the importance of political incentives derived from institutions that may encourage the politicians to design and implement re-distributional policies far from the most preferable or efficient ones. In this regard, León-Alfonso provides a convincing political explanation for decentralization. León-Alfonso argues that decentralization takes place due to political motivations derived from macro and micro logics. León-Alfonso defines macro logics as:

Those that set the state where fiscal decentralization takes place, limit the range of choices political elites have and define the feasibility of decentralization. They are related to the path dependent processes that account for the existing institutional, organizational, and policy settings of the country; or demographic and physical characteristics; or to a temporary event (like an economic downturn) (León-Alfonso, 2006).

As such, León-Alfonso argues that the macro logic does not provide the convincing causal

mechanism applicable to different contexts because the historical, cultural, organizational, and institutional settings of countries differ, and such contexts affect the types of decisions that the political elites make over decentralization. However, León-Alfonso argues that the micro logic provides a convincing causal mechanism for centralization or decentralization because the politicians perceive centralization or decentralization “as a political choice” (León-Alfonso, 2006: 60). León-Alfonso argues “the choice [for centralization or decentralization] is determined by the interaction of national and subnational politicians’ goals with the leverage and incentives that stem from the institutional setting” (León-Alfonso, 2006: 60-61).

León-Alfonso’s argument matches with Knight’s point of view that institutional settings, specifically, the design of intergovernmental transfers are distributional and re-distributional, which means actors affected by these institutions have strong political and economic interests in their design (Knight, 1992).

4.1.1. The Political Rationales behind Afghanistan’s Centralized Institutional Settings, including the Planning and Budgeting Systems

The preceding section establishes that it is essential to go beyond the normative approach to public economy in order to explain the key rationale and justification for centralized or decentralized institutional settings. In doing so, I trace the roots and rationales behind the adoption of highly centralized institutional settings in general, and the planning and budgeting systems for allocating discretionary development budget in particular. Building on that understanding, in this section, I briefly (1) describe Afghanistan’s failure in state building and development during the course of its contemporary history; (2) elaborate on how the post-2001 U.S.-led state building strategy resulted in a highly centralized governance system; and finally (3) summarize the components of Afghanistan’s planning and budgeting policies since 2005.

Afghanistan's efforts for state building and development

The road towards state building and development has been bumpy in Afghanistan. The history of Afghanistan is filled with numerous examples of failure in one form or another. Since 1747, Afghanistan has experienced different regimes and forms of government, but each has resulted in failure. Afghanistan's history can be categorized into five major periods: 1747 to 1880 when Ahmad Shah came to power; 1880 to 1978 when Abdul Rahman took power and adopted highly centralized the state; 1978 to 1990 when the pro-Soviets took power in Afghanistan; 1990 to 2001 when the Mujahideen and then Taliban dominated power; and finally, 2001 to present where Afghanistan has been a primary focus of the international community and a new order mandated new reforms.

During these periods, different regimes came to power, each with different structures of government, ranging from monarchy, to constitutional monarchy, parliamentary, presidential, semi-presidential, and Islamist. However, no regime has possessed the attributes of a strong state (capable of delivering public goods and services, possessing political legitimacy, and establishing sustainability and resilience) with a stable political order necessary for successful state building and development. Scholars have highlighted several factors as the main contributors to the consistent failure of state building and development in Afghanistan. These factors include, but are not limited to, royal polygamy, foreign intervention, ideological extremism, social division, and geopolitical location

According to Amin Saikal, royal polygamy has been an influential factor disrupting political stability in Afghanistan. From the end of eighteenth century to the pro-Soviet communist coup in 1978, the royal polygamy has effectively and consistently undermined the structure of statehood and stability in Afghanistan (Saikal, 2004: 4).

Given the geopolitical location of Afghanistan, great powers have always been interested in dominating its politics. This brings the foreign intervention and power rivalry factors into play. Great powers, including Great Britain, Russia, USA, as well as regional powers, have been in rivalry between each other during the course of history: firstly, Great Britain and Tsarist Russia (and, from 1917, Soviet Russia); USA and USSR after the World War II; and finally the regional powers after the end of Cold War and the collapse of the Soviet Union in 1991 (Saikal, 2004: 6-9).

In addition to royal polygamy and foreign intervention factors, ideological extremism is another major factor in explaining Afghanistan's failure. The failure to incorporate moderate Islam resulted in sharp tensions between "secular radical modernization and traditional conservatism in the 1920s, communism and Islamism from the 1960s to the 1980s and moderate Islamism and regressive Islamic medievalism in the 1990s" (Saikal, 2004: 9-10).

However, these factors are not the only factors to explain Afghanistan's consistent failure at state building and development. Substantial literature emphasizes the inappropriate and incompatible design of government structure as the main factor for Afghanistan's failure. Despite its severe ethnic, religious, and linguistic dividedness, Afghanistan has consistently, during the course of its history, adopted a highly centralized model of governance dominated by a single ethnic group that has prevented the formation of a democratic, all-inclusive, and stable political order. Such an incompatible and inappropriate institutional design has, to a great extent, facilitated failure in Afghanistan

In this regard, the scholarship of Thomas Barfield, Nazif Shahrani, Jennifer Murtazashvili, Antonio Giustozzi, and Dipali Mukhopadhyay are quite relevant. Barfield, who has conducted extensive ethnographic research in Afghanistan, argues that Afghanistan has always been a

collection of regions rather than a coherent nation state (Barfield, 2010). Although external and internal forces attempted to change things from the center, such efforts resulted in limited success. Internally, the centralizing approach through physical violence and subjugation by Abdul Rahman, who is widely credited with establishing the modern Afghan state through his extreme efforts at centralization, were “ephemeral—political change imposed from above had great cost that appeared transformative but were not” (Barfield, 2010: 161). After Abdul Rahman, his successors continuously adopted the centralized model of governance that consequently resulted in consistent failure and political instability (Shahrani, 2013).

Consistent with Barfield and Shahrani, Murtazashvili argues that Afghanistan is an informal federation: despite the establishment of a highly centralized political system, the customary organizations at village level, that are practically self-governed, form a legitimate level of government that is capable of providing public goods and services (Murtazashvili, 2014). Although the state builders had doubted the capability of warlord governance at the provincial level in Afghanistan, Giustozzi and Mukhopadhyay provide examples of how warlords can be effective governors. Mukhopadhyay argues that the “strongman governors” have been successful compared to other weak governors (warlord or non-warlord) because they could transcend the centrally imposed directions and rules (Mukhopadhyay, 2014).

These scholarships support the argument that institutional design matters and Afghanistan (as the state being built), state builders, and the international community should have been alert to the importance of institutional design for successful state building and development in conflict-affected and fragile contexts like Afghanistan.

The Post-9/11 State Building and Development Efforts: A New Beginning

After the 9/11 terrorist attacks, the international community reconsidered its strategy towards Afghanistan. Viewing Afghanistan as a primary threat to international peace and security, the international community turned to state building and development as the main solution. The international community, led by the United States, initiated comprehensive political, economic, and social reforms in Afghanistan. Like all other state building and development processes, the key question centered on how to design government structure to achieve legitimacy, ensure security, and provide effective and efficient public goods and services. These three governance functions represent the concept of good enough governance in the literature of state building and development in conflict-affected and fragile states.

There were two available options: centralization vs. decentralization and/or federalism. Despite the consistent failure of centralized governance systems during the course of Afghanistan's contemporary history and strong advocacy towards decentralization and federalism, the international community—led by the United States—and Afghan policy elites (mostly western technocrats from Pashtun ethnic groups who had ruled Afghanistan since 1747) adopted a highly centralized (presidential) governance system in 2004 through the adoption of a new constitution. The international community and the Afghan policy elites consistently argued that factors like the fragmentation of state institutions, weak or non-existent institutional links between the center and periphery, and weak or non-existent administrative capacity were crucial to the decision to adopt a centralized governance system.

Since then, the centralized governance system has consistently failed to promote the legitimacy of the central government, ensure security, and provide effective and efficient public goods and services. As such, the Afghan government has been suffering from lack of legitimacy:

as further evidenced by the controversial 2014 presidential elections and the subsequent three years delay for holding parliamentary elections (Larson and Coburn, 2017). In addition, the data show a growing trend of insecurity and casualty: more than 10,000 civilians have been killed just in 2017 (BBC report, 2018). In terms of providing public goods and services, the Afghan government has not been able to spend more than 67% of its development budget since 2001, and the earlier years show an even lower spending percentage.

Even though the Afghan government pledged upon the formation of the National Unity Government in 2014 to amend the constitution to shift towards more power-sharing structure and decentralization, it has retained a centralized governance system. This stickiness suggests that factors beyond those mentioned earlier are involved in adopting centralized governance system in Afghanistan. In this regard, David Lake's "State Builder's Dilemma" argument convincingly explains why conflict-affected and fragile states like Afghanistan end up with a highly centralized governance system. According to Lake, regional political and economic interests in the future policies of the states being built is what motivates the state builders to undertake the huge cost of state building in conflict-affected and fragile contexts (Lake, 2016). To maintain these interests, state builders appoint their loyal politician as the head of the state being built. Because loyal politicians mostly prove to be insufficiently legitimate in the eyes of the people in the states being built, the state builder's dilemma occurs because the appointed leader cannot balance between legitimacy and loyalty in conflict-affected and fragile countries. Such failure, Lake argues, leads to the failure of state building (Lake, 2016).

Under Lake's theory, the design of governance institutions has mostly led to—with very few exceptions—a great level of centralization in which the central government possess the sole authority in political, fiscal, and administrative aspects of governance (Lake, 2016). The

centralized governance system is most favorable for loyal politicians in order to gain legitimacy and for the state builders who have certain interests in the future policies of the state being built. In doing so, a centralized governance system provides two main venues for the loyal politician and the state builder to achieve their goals: first that the loyal politician and the state builder dominate the policymaking process through which they can determine domestic and foreign policies; and second that the central government can buy legitimacy through the resources flowed in from the side of state builder and international donors (Lake, 2016). This second venue exemplifies “pork barrel politics,” a phenomenon covered in Chapter Seven of this dissertation. Lake reflects on this last point such that “the state builders [] channel their resources to their selected leader, who then divert those resources to his own, narrow political coalition with the acquiescence if not the active support of the state builder” (Lake, 2016: 1).

Under these circumstances, the state builders, the appointed (loyal) politician, and the narrow coalition that encompass central and local bureaucrats, interest groups, and party leaders (mostly warlords and ethnic leaders) constitute a set of actors or networks that tend to favor centralization because it provides them with extensive political and economic resources. According to Paul Pierson, these actors or networks would oppose any policy alternative against their political and economic interest (Pierson, 1993, p. 608) that in turn results in locking-in the centralized governance system that includes centralized planning and budgeting policies for the allocation of discretionary development budget.

Brief Description of PFEM and Financial Regulations in 2005-06

With the formation and domination of these actors or networks on policymaking process, the adoption of highly centralized fiscal policies that mandate centralized planning and budgeting should have been expected in Afghanistan. Through its new constitution in 2004, Afghanistan

adopted a highly centralized public finance management system where the central government gained excessive power and authority with regard to taxation, planning, budgeting (formulation, allocation, and execution), monitoring, and evaluation. This authority is derived from articles 75(4) and 95 of the Afghan constitution that concentrates the authority to prepare budget and budget/financial laws only to the Afghan central government (Afghanistan's 2004 Constitution, Articles 75(4) and 95).

Subsequently, the Afghan government adopted the "Public Finance and Expenditure Management Law" (PFEM, 2005) and "Financial Regulations" (2006) to regulate fiscal affairs including the planning and budgeting processes. The PFEM, serving as the legal basis for public finance, stipulates the obligations of the ministries related to public financial management and regulates the issues concerning the protection of public assets, borrowing and lending, budget preparation and approval, budget execution, amendment of appropriations and allotments, as well as accounting and control. Likewise, the PFEM gives the MoF the primary responsibility to prepare and execute the budget (PFEM, article 4). While not clarifying the roles and responsibilities of the local administrations, the PFEM, under Article 2, provides that "all state administrations [including the central and local] will be subject to procedures set out in the law in terms of budgeting and expenditure policies" (PFEM, article 2). In the same vein, the MoF is responsible for preparing the budget and coordinating its execution (PFEM, article 4).

The Afghan government, as another initiative, adopted Financial Regulations (2006) to specify the matters of budget formulation, budget execution, banking arrangements and cash management, borrowing and lending, asset management, accounting and reporting, municipal finance, and control and audit (Financial Regulations, 2006). These Financial Regulations sought to clarify the roles and responsibilities of the "Primary Budgetary Units" and the "Provincial Line

Departments” known as “Secondary Budgetary Units” that are part of the “Primary Budgetary Units.” As it is clear, these two pieces of legislation highlight the excessive fiscal authorities of the president and the Ministry of Finance.

To further reform the planning and budgeting processes, Afghanistan and its international stakeholders—in 2005—initiated several programs to de-concentrate planning and budgeting within the centralized constitutional framework of Afghanistan. In 2005, the Afghan government cabinet decided to create Provincial Development Committees (PDCs) for coordinating provincial planning with sectorial ministries and developing Provincial Development Plans (PDP). In the following year, the MoF established the Provincial Budget Unit in the Budget Department to provide support on budget preparation, implementation guidelines and instructions for the integration of provincial needs, facilitating communication between the central line ministries and provincial line departments, and preparation of the budget submission.

In 2006, the MoF initiated a pilot provincial budgeting project in three departments of Agriculture, Education, and Rural Rehabilitation and Development in three provinces. The German Federal Ministry of Economic Cooperation and Development conducted another initiative between 2010 and 2015 that was extended to 2017. The UNDP’s Afghanistan Subnational Governance Program (ASGP), and USAID’s Economic Growth and Governance Initiative project (EGGI) are other major projects working in support of subnational governance and provincial planning and budgeting. Despite efforts to decentralize the planning and budgeting processes, the results proved modest because the central government did not have the will to devolve fiscal authority. Such reforms for fiscal devolution would be a threat to the central government struggling for sufficient legitimacy and remaining in power.

Despite these efforts for reforming laws, promulgating regulations, and the existing

planning and budgeting practices, the system of planning and budgeting remained traditional. The traditional approach of planning and budgeting focuses on (1) what has been expended rather than how it has been expended; (2) inputs rather than outcomes; and (3) on one-year plan rather than the future implications of budget decisions. The practice shows that the local administrations have been sending a long wish list of projects to the central government and the MoF has been the sole decision-maker in the allocation of budget to different local administrations. Given the excessive centralization, no clear-cut formula could determine the criteria according to which the central government allocates public budget.

Impacts of traditional planning and budgeting

In the preceding section, I showed that the state building strategy resulted in the creation of a highly centralized governance system together with centralized planning and budgeting system for the allocation of discretionary development budget. This section highlights the impact of the centralized planning and budgeting system on the quality of public goods and services. In fact, centralization has negatively affected the allocative efficiency (incorporating local needs in the national budget); productive efficiency (producing the desired outcomes such as public service delivery and reducing poverty); capacity building; and local participation in the planning and budgeting processes (Jalal, 2013; Salthmarshe and Mehdi, 2011; Boex, 2012; Nijssen, 2011).

Another indication of the negative impact of Afghanistan's excessive centralized planning and budgeting system is the failure of central and local administrations to expend their allocated the discretionary development budget (MoF Website). In addition to budget allocation, the execution poses another challenge. According to data from the MoF, Afghanistan (both central and local administrations) has not been able to expend more than 54% of its discretionary development budget. The figure below illustrates this argument.

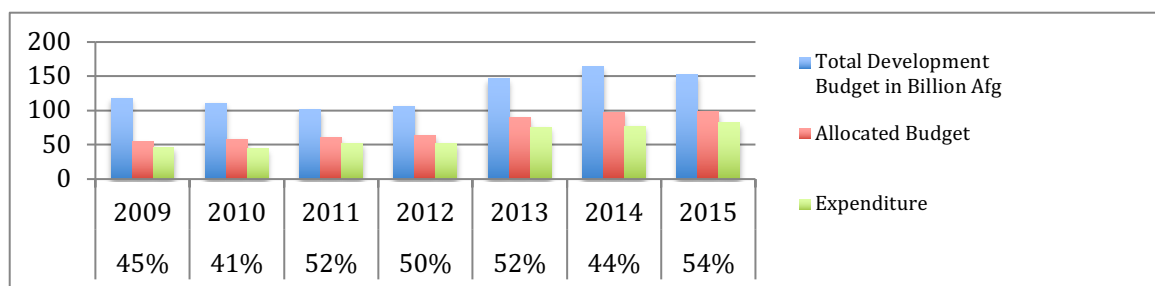


Figure 4.1: Annual Development Budget Expenditure, Extracted from MoF Website

Accordingly, a number of reports have highlighted the main challenges and flaws in the planning and budgeting system in Afghanistan (Rade, Thiessen, and Huber, 2014: 30; AREU, 2016). Specifically, they show excessive centralization; lack of clarity in roles and responsibilities of central and local administrations; failure to identify the local needs and their incorporation in the national budget; weak or non-existent participatory and accountability mechanism; and finally ineffective and inefficient public goods and services provision (Rade, Thiessen, and Huber, 2014: 30).

Although the reports emphasize excessive centralization as one of the main challenges in planning and budgeting, the “Provincial Budgeting Policy” has not even identified excessive centralization as one of the challenges within local public finance management system. Instead, the policy has listed the following as the main challenges:

- a. Lack of sufficient transparency, weak consultation and coordination, and balance in the allocation of resources to the provinces
- b. Inconsistency in the capacities of ministries and their respective provincial line department to plan, budget and spend public funds to deliver services at the provincial level;
- c. Lack of provincial capacity to develop and submit plans based on priorities and projects costing;
- d. Lack of proper and accurate mechanisms for planning and budgeting at the local level;
- e. Difficulties faced by provinces to fund their operational and maintenance (O&M) costs, leading to the destruction of existing assets, and poor service delivery;
- f. Lack of clear fiscal (public financial management) roles and responsibilities of provincial councils, provincial and district governors;
- g. Lack of proper and accurate mechanisms for monitoring and pursuing the implementation of provincial programs and projects.

h. Execution of development budget through parallel budget systems at the provincial level, causing the government's budget systems not to be utilized and developed (Provincial Budgeting Policy, 2015).

4.2. EXPLAINING THE CONTINUITY OF CENTRALIZED PLANNING AND BUDGETING PROCESSES THROUGH THE LENS OF LOCK-IN EFFECT MECHANISM OF POLICY FEEDBACK THEORY

In the preceding sections, I explained how Afghanistan adopted a highly centralized institutional setting that gave the central government excessive authority and power over planning and allocation of discretionary development budget. However, Afghanistan, upon its first democratic transition in 2014, demonstrated willingness to decentralize (only deconcentrate) planning and budgeting roles and responsibilities.

The year 2014 was pivotal for a series of reforms in Afghanistan. In that year, Afghanistan held its third presidential election. This election was highly fraudulent, contested, and so divisive that Afghanistan was on the verge of civil war. Recognizing this highly explosive situation, the United States sent its Secretary of State, John Kerry, to broker some sort of solution. The result was the creation of "National Unity Government," which was a short-term solution that did not really address the problem. It simply postponed it because it was not the result of a democratic process. External interests imposed it. The formation of an externally imposed and illegitimate government coincided with mounting pressure from the international community. The international community was now expecting accountability for the funding they were providing. The reason for this pressure was that the international community perceived that the money they were providing was not being used effectively and efficiently.

As a result of this pressure, the NUG created and instituted two policies, "Provincial Development Planning Guideline" (PDPG) and "Provincial Budgeting Policy" (PBP). The PDPG

had four general goals: (1) to improve the level of local participation in the planning process for development projects; (2) to clarify the roles and responsibilities of central and local administration; (3) to standardize the process of development planning; and (4) to improve the quality of development plans (PDPG, 2016). The drafters of PBP hoped to achieve two outcomes: (1) to link local needs with budget allocations; and (2) to make the budgeting (formulation, allocation, and execution) more transparent, predictable, and equitable (PBP, 2015).

However, these new policies did not demonstrate significant changes towards decentralization, but instead reinforced the same level of centralization in planning and budgeting processes. Given the nature of PDPG and PBP to be administrative deconcentration, the two policies only sought to systematize and regularize the planning and budgeting without devolving any decision-making authorities to the local administrations. Such a failure signals the continuity of the centralized planning and budgeting system that Afghanistan had adopted through the 2004 constitution, the “Public Finance and Expenditure Management Law” and the “Financial Regulation.” Accordingly, this section seeks to explain the continuity of centralized planning and budgeting system for the allocation of discretionary development budget in Afghanistan through the lens of lock-in effect mechanism of policy feedback theory.

In explaining how policies become locked-in and constrain future policymaking and policy alternative, Pierson’s scholarship is quite instructive. According to Pierson, “major public policies . . . constitute important rules of the game, influencing the allocation of economic and political resources, modifying the cost and benefits associated with alternative political strategies, and consequently altering ensuing political development” (Pierson, 1993: 596). As such, once such policies are enacted, they “may create incentives that encourage the emergence of elaborate political, social and economic networks, greatly increasing the cost of adopting once-possible

alternatives and inhibiting exit from a current policy path. Individuals make important commitments in response to certain types of government action. These commitments, in turn, may vastly increase the disruption caused by new policies, effectively ‘locking in’ previous decisions” (Pierson, 1993: 608). This suggests that changing such policies is challenging for the policymakers because of two main reasons: first, they face resistance from the bureaucracies and interest groups implementing and benefiting from such policies; and second, the transition cost for change is high for policy makers.

Consistent with Pierson, this section argues that Afghanistan’s centralized planning and budgeting policies initially adopted in 2005 and 2006 created a set of political, social, and economic actors or networks—the state builders, the Afghan policy elites and bureaucrats both central and local—favoring the centralized planning and budgeting policies of the central government that subsequently, upon the first democratic transition, made the shift towards a decentralized planning and budgeting system very difficult, if not impossible.

Accordingly, this section elaborates on this argument through two sub-sections. The first discusses the literature of lock-in effect mechanism of policy feedback theory. The second applies the lock-in effect mechanism to explain the continuity and stability of centralized planning and budgeting policies in Afghanistan.

Given the consistent challenge to maintain legitimacy, the actors or networks derived from the centralized governance system have found the fiscal centralization in general, and centralized planning and budgeting in particular, working for their best interest when it comes to building a sense of legitimacy. As such, while gaining legitimacy still remains a challenge and the state building actors have remained the same involved in policymaking and policy implementation and

persist in maintaining a centralized governance system, there is no surprise that the recent planning and budgeting reforms demonstrated the same level of centralization.

4.2.1. “Lock-in Effect” Mechanism and the Emergence of Political, Economic, and Social Networks

The idea that policy shapes the political attitudes and behavior of a range of actors is not new in the political science literature. E.E. Schattschneider and Theodore Lowi were the first scholars to raise the idea that “new policies create new politics” (E.E. Schattschneider, 1935; Lowi, 1972). The political scientists later called this process “policy feedback.” Policy analysts use policy feedback to assess policy alternatives and scholars of policy process use policy feedback to explain how existing policies affect probability and design of future policies (Mettler and SoRelle, 2014). This dissertation is interested in exploring only the role of policy feedback in policy process.

After its emergence, the scholars of historical institutionalism incorporated the term “policy feedback” into their scholarship (Hall, 1986; Steinmo, Thelen, and Longstreth 1992; Skocpol 1992; and Pierson 1993). Among them, Theda Skocpol and Paul Pierson are the most prominent. Skocpol coined the term policy feedback in her “Protecting Soldiers and Mothers: The Political Origin of Social Policy in the United States” for the first time by arguing that policies created at “Time 1” affect policies created at “Time 2” by shaping state capacities and social groups and their political goals and capabilities (Skocpol, 1992). As such, she argued that “we must make . . . policies the starting points as well as the end points of analysis: as politics create policies, policies also make politics” (Skocpol, 1992: 58).

Likewise, Paul Pierson argues that “major public policies . . . constitute important rules of the game, influencing the allocation of economic and political resources, modifying the cost and benefits associated with alternative political strategies, and consequently altering ensuing political

development” (Pierson, 1993, 596). With that, one can argue that policy feedback theory seeks to understand how policies, once created, restructure and reconfigure politics that in one way or another shapes, influences, or constrains subsequent policymaking and policy alternatives (Patashnik 2008: 29). More specifically, policy feedback theory explains how policies, once enacted, shape the political behavior and attitude of a range of different actors that in turn affect policymaking and policy alternatives (Mettler and SoRelle, 2014: 104-5).

Consistent with this background, the literature on policy feedback has produced four streams of inquiry that explain how policies—through their design, resources, and implementation—affect (1) political agenda and definition of policy problems (Hacker 2002: 122; Bluementhal and Morone 2009; and Skocpol and Williamson 2012); (2) governance (Heclo 1974; and Derthick 1979); (3) powers of groups (Walker 1983: 403; and Mettler and Soss 2004:55); and (4) citizenship (Schneider and Ingram 1997:66). Accordingly, Pierson divides these effects into two categories: first, *resource effects*: public policies provide resources and incentives that shape political behavior and attitude of elites, interest groups, state capacities, and mass publics; and second *interpretive effects*: public policies as sources of information affect patterns of political learning and attitudes (Pierson 1993; Mettler and Soss 2004: 60).

However, the first two streams of inquiry stem directly from historical institutionalist tradition that frequently employ the logic of path dependence to demonstrate how past public policies constrain future policymaking and policy alternatives. In doing so, the historical institutionalists have used the lock-in effect mechanism to explain conditions under which political circumstances become locked-in and resistant to change. Historical institutionalists have emphasized the role of actors created by the policies and their interest derived from a given policy as important to explain lock-in effect mechanism. Pierson has well explained this scenario:

Policies may create incentives that encourage the emergence of elaborate social and economic networks, greatly increasing the cost of adopting once-possible alternatives and inhibiting exit from a current policy path. Individuals make important commitments in response to certain types of government action. These commitments, in turn, may vastly increase the disruption caused by new policies, effectively 'locking in' previous decisions (Pierson, 1993: 608).

Under this circumstance, if policy makers tend to shift policies, they will face resistance and challenge from two sources: first, from interest groups and existing bureaucratic constituencies; and second, from major transition cost that make path-departing expensive and politically perilous. With that, one can argue that newer and less entrenched policies are more vulnerable to shift or replacement than the older and more entrenched ones that have already created elaborate and political, economic, and social networks in favor.

The first stream of inquiry has produced numerous studies that explain the effect of policies on political agenda and definition of policy problems related to feedback theory. Hacker studies how the existing system of employee's health benefits created obstacle to health reform in the United States only because the beneficiaries opposed any policy reform that would endanger their benefits (Hacker 2002, 122). Skocpol provides another example in which Bill Clinton's health reform proposals provoked fear and opposition (Skocpol 1996). However, Obama's reform did not result in significant opposition as he built on existing policies and gained the support of insurance companies and major stakeholders (Blumenthal and Morone 2009).

These studies confirm Pierson's argument that that policies, once enacted, set the rules of the game; create political, economic, and social networks; allocate political and economic resources; modify the cost and benefits associated with alternative political strategies; and finally determine the direction of political development. As such, the individuals' commitments increase the cost of adopting once-possible policy alternative. Therefore, any new policy adopted in

contravention of these commitments may create disruptive effects that in turn may increase the lock-in effect of previous policies.

4.2.2. Brief Description of PDPG and PBP

Upon the first and recent democratic transition in 2014 and in order to tackle the existing problems in the planning and budgeting processes, Afghanistan initiated a set of governance reforms along with planning and budgeting processes. In 2015, Afghanistan adopted two new policies: “Provincial Development Planning Guideline” and “Provincial Budgeting Policy.” The two policies were mandated to create transparent, predictable, and equitable budgeting through deconcentration of planning, budgeting (formulation, allocation, and execution), and monitoring and evaluation. The two policies mandated deconcentration of planning and budgeting roles and responsibilities to the local administrations.

Nevertheless, the Afghan planning and budgeting processes remained very centralized, with the central government having sole authority in formulation, allocation, execution, and expenditure of budget. Although the Afghan government could adopt a more decentralized planning and budgeting process, they ended up with the same level of centralization because these policies only deconcentrated minor roles and responsibilities that have no significant effect on allocation decisions. These two policies reinforced the status quo: the actors or networks found themselves better off with centralized planning and budgeting where they maintain excessive authority for allocation of public funds. The following describes the content of planning and budgeting reforms under PDPG and PBP.

As deconcentration reforms, the PDPG and PBP elaborate on the roles and responsibilities of local and central level entities in the planning and budgeting processes. PDPG describes the planning process that is to be conducted by local administrations through a set of directives and

guidelines from the central government—in particular, the Ministry of Economics (MoEc)—and PBP describes the budgeting (formulation, allocation, and execution), and monitoring and evaluation aspects of the budgeting process.

The planning process starts at the beginning of each fiscal year. As a typical deconcentration reform, the PDPG functions as a to-do-list for the local and central level entities involved in the planning process. As such, the PDPG specifies the local and central level entities involved in the planning process, roles and responsibilities of local and central level entities, and the ten main steps for planning.

According to PDPG, the central entities involved in the planning process are Ministry of Economics (MoEc), Ministry of Finance (MoF), Independent Directorate of Local Governance (IDLG), Ministry of Women Affairs, and Ministry of Information and Culture, Department of Youth Affairs. However, far more local entities are involved in the planning process, including the Provincial Line Directorate (PLD) of Economics, Governor Office, District Governor Office, District and Village Development Councils, Provincial Councils, other PLDs, Civil Society, NGOs, and all other social networks. It is mentionable that the local administrations, through PDPG, should create four main local committees to undertake the primary planning functions. These local committees are: Provincial Sectorial Sub Committee (PSSC), Provincial Technical Committee (PTC), Provincial Public Finance Management Committee (PPFMC), and Provincial Development Committee (PDC). The PDPG specifies the planning roles and responsibilities of the local and central entities under ten steps that include:

Step 1: MoEc issues an official letter along with a calendar of key deadlines to the DoEc to begin the provincial development planning process.

Step 2: The DoEc, in coordination with the Provincial Governor’s Office (PGO), will include this issue in the agenda of a Provincial Development Committee (PDC) meeting. During the meeting, Provincial Directors will be assigned to share the proposed project application form to districts line departments, district councils,

and Community Development Committees (CDC) so that the needs of communities can be gathered and identified.

Step 3: The Provincial Sub-Sectoral Committee (PSSC) will hold a coordination meeting with the members of the relevant sectors and review the development plan from the last year so that the next year's development priorities can be identified. This step should include a review of relevant information on public service delivery and progress made against plans and projects during the last year. In addition, at this stage, it is essential for PLDs to hold advisory meetings with District Development Assemblies, CDCs, and civil society organizations representing women, youth, and other important groups. These meetings may be held by taking a poll of opinions or take place with individual business partners or counterparts so that the development plan is prepared in accordance with the Provincial Strategic Plan and relevant central line ministry development programs and strategies.

Step 4: PLDs should prepare their proposed projects after conducting a situation analysis reviewing provincial development project ideas via concept notes. The PLDs will submit their draft development plans to the relevant PSSC for technical analysis and review.

Step 5: After the analysis conducted in Step 4, Based on the relevant sector's development strategy, the PSSC prepares the proposed project concept notes and its sector's annual development plan and submits the plan to the Provincial Sub Technical Committee (PSTC) through the DoEc for evaluation and an economic and social efficiency analysis and prioritization.

Step 6: The PSTC analyzes, evaluates, and prioritizes the concept notes and development plans for eight sectors, in coordination with the relevant sectors. In the event that the annual development plan needs revision or improvement, the PSTC will share the results of its evaluation with relevant Provincial Directors. The relevant Provincial Director is responsible for reviewing the proposed projects in coordination with the relevant PLD and then to resend the results of their work to the DoEc in accordance with the deadline established by the DoEc. The DoEc submits the projects approved by the PSTC to the Provincial Public Financial Management Committee (PFMC) for review and evaluation.

Step 7: In cooperation with PSSC and PSTC, the PFMC will review and evaluate the draft PDP and proposed projects. The PFMC will prioritize the projects based on the Provincial Budgeting Policy and submit their findings to the provincial DoEc by a stated deadline.

Step 8: After compiling the annual PDP, the DoEc submits it to the PDC for input and final approval.

Step 9: The PDC reviews and approves the PDP. Subsequently the secretariat of the PDC, which is the DoEc, submits the PDP to the MoEc General Directorate of Design and Consolidation (GDDC) for subsequent processing. All provincial line departments are to share proposed project concept notes approved by PDC for their sector with relevant central line ministries for incorporation into the national level development programs.

Step 10: The DoEc is obliged to pursue and follow up on the PDP process by using monitoring and evaluation checklists. The DoEc will share its findings with the MoEc GDDC (PDPG, 2016).

The budgeting process begins after the General Directorate of Design and Consolidation (GDDC) conducts the technical review and sends the PDPs through the sectorial directorates of provinces to the relevant line ministries. With that, PBP comes into play through reflecting on budgeting (formulation, allocation, and execution), monitoring, and evaluation. It is mentionable that this dissertation primarily focuses on the budget formulation and budget allocation aspect of the budgeting under PBP. This section introduces the formal process with regard to budgeting (including formulation, allocation, and execution), monitoring, and evaluation.

The PBP, like PDPG, identifies the key local and central level entities involved in the budgeting (formulation, allocation, and execution), monitoring, and evaluation processes. These entities include the following: the Office of Administrative Affairs the National Assembly, the Provincial and District Councils, Central/Primary Budgetary Units, Subnational/Secondary Budgetary Units, Provincial and District Governors, International Financial Organizations and Donor Countries, and Civil Society Organizations (including non-governmental organizations, media outlets, academic and research associations).

Afghanistan has 54 primary budgetary units that include central ministries, department, agencies, and independent agencies. The budget has two main components in Afghanistan—the operating budget (including the salaries and organizational and maintenance expenditures) and the development budget (mostly, capital investment). Because external (donor-funded) aid is not channeled through the central budgeting system, the budget is divided into core budget and external budget. The core budget comes from the Afghan government’s domestic resources, comprises the operating budget and some portion of the development budget, and the Afghan government has full discretion over it. However, the external budgets are provided by donors and

are managed either directly by them outside of the formal central government budgeting system (off budget) or through the formal budgeting process (on budget). Projects implemented by NGOs, UN, Civil Society Organization are categorized as off-budget category.

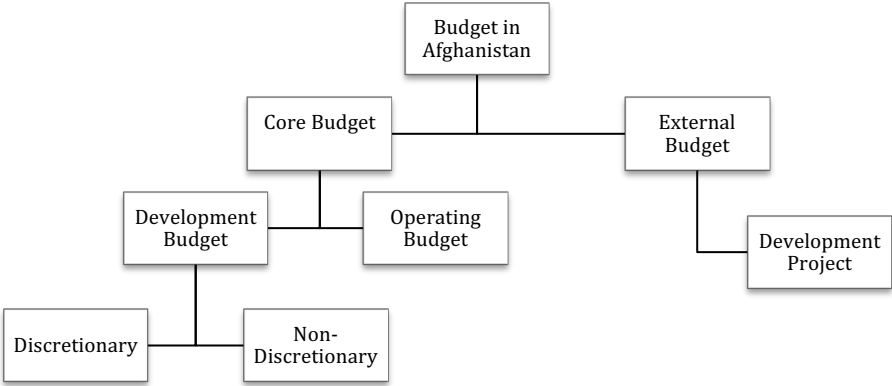


Figure 4.2: Different Categories of Budget in Afghanistan

The budgeting (formulation, allocation, and execution) begins when the MoF—the leading organ for budget formulation and execution—sends the Budget Circular 1 (BC1) with the budget calendar and initial budget ceilings to the line ministries and requires them to submit a budget proposal for the following year. With the close cooperation of the MoEc with the budgetary units on their new activities, the line ministries submit their concept notes to the MoF and MoEc. At this stage, the international donors confirm their initial commitment for funding.

The MoEc, together with the MoF, conducts the technical review of the development projects (proposed through BC1) and prioritizes them and then the MoEc submits a detailed report on the prioritized projects to the MoF. At this point, the MoF prepares the Mid-Term Budget Framework and the final budget ceilings and submits them to the cabinet for approval. With the approval of the budget ceilings, the MoF issues the Budget Circular 2 with final budget ceilings to the budgetary units and tasks them to prepare and submit their proposals and concept notes of their development projects according to the final budget ceilings. Then, the Line Ministries submit their

annual proposals of their development projects to the Budget Department of the MoF. Upon receiving the BC2 from all line ministries, the MoF holds hearing meetings, in order to make decisions on the budgetary proposals, with budget committee and budgetary units. Considering the output of the hearing meetings, the Budget Department of MoF proposes the national budget. With that, the budget committee confirms the draft annual national budget and submits it to the Cabinet for approval.

Once approved, the draft annual national budget is submitted to the National Assembly for approval. Once approved, the president endorses the annual budget through a presidential decree and submits it to the MoF for execution. Accordingly, the MoF announces the approved annual budget and sends the annual budget to the budgetary units for implementation.

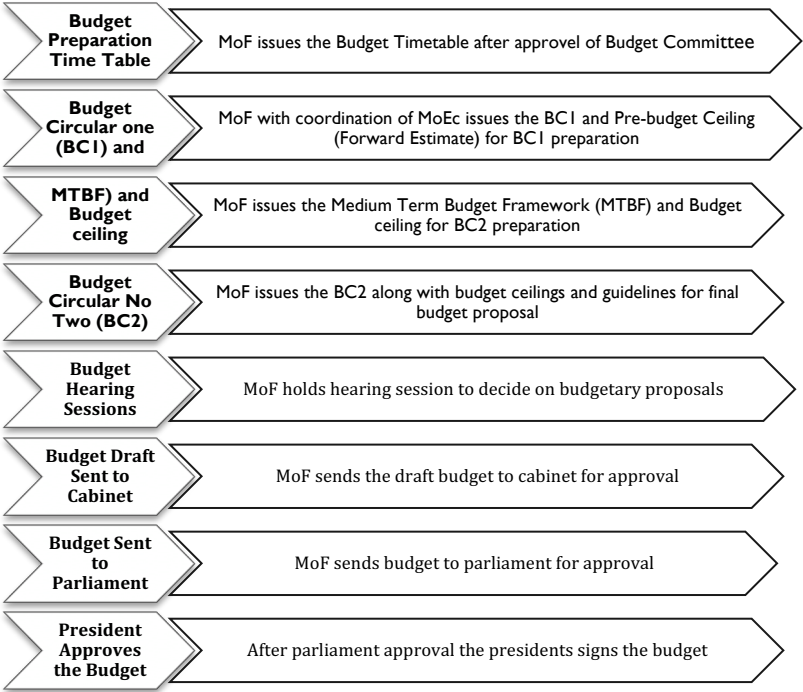


Figure 4.3: Afghanistan’s Budgeting Process

The auditing process takes two forms: internal and external. Internally, the MoF assigns a controller in each spending unit for dealing with errors and ensuring the application of financial

regulations. These controllers also audit the expenditures in each secondary budgetary (spending) unit. However, the Supreme Audit Office (SAO) is responsible for external auditing.

4.2.3. The Scope of Fiscal Decentralization

Determining the scope of decentralization reforms requires identifying two main measures: first, the forms of decentralization; and second, the dimensions of decentralization. With the failure of centralized development planning and administration, three forms of decentralization have started to grow among developing nations: deconcentration, delegation, and devolution. Deconcentration, the weakest form of decentralization, refers to the redistribution of administrative authorities to the local entities, who effectively work as representatives of the central government (Cheema and Rondinelli, 1983: 18-23). Deconcentration can take two main forms of integrated and unintegrated deconcentration. Under the integrated system, “field staff of central ministries work within a local jurisdiction under the supervision or direction of a CEO of the that jurisdiction, who is appointed by and responsible to the central government.” Under the unintegrated form, however, the field staff of central ministries and administrative staff of local jurisdictions operate independently of each other (Cheema and Rondinelli, 1983: 18-23).

Delegation grants decision-making and management authorities over specific functions to organizations not under the direct control of the central government (for instance, semi-independent organs) (Cheema and Rondinelli, 1983: 18-23). Devolution seeks to grant decision-making authority to independent levels of government, often expressly authorized in a constitution (Cheema and Rondinelli, 1983: 18-23). In the same vein, decentralization has three main dimensions: political, administrative, and fiscal. Political decentralization refers to integrating the voice of citizens in collective decision-making and accountability mechanisms. Administrative decentralization, referring to de-concentration, mainly illustrates the shift of administrative

functions from the central government to the lower levels of government. And finally, fiscal decentralization refers to the transfer of revenue generating powers, expenditure, and contracting authorities from the central government to the lower levels. Fiscal decentralization is closely related to the public financial management, as the fiscally empowered local governments can play a critical role in the effective implementation of PFM reforms.

Given the description provided on the components of the PBP and PDPG, it is evident that Afghanistan's recent reforms fall under fiscal deconcentration. In this regard, Afghanistan has intended to shift some planning and budgeting roles and responsibilities to its own local staff—to its local representatives without devolving considerable decision-making authority. Therefore, the planning and budgeting processes still remain highly centralized with the central government and Ministry of Finance as the sole decision-makers.

4.2.4. Application of Lock-in Effect Mechanism

The lock-in effect mechanism, based on Pierson's scholarship, can be summarized in three main points that (1) policies constitute the rules of the game, allocate political and economic resources, and alter the direction of policy development; (2) policies create incentives and lead to the emergence of "elaborate political, economic, and social networks" that make commitment to government actions; and (3) with these commitments, any new policy causes disruption. These conditions are evident in the case of Afghanistan (Pierson, 1993, p. 608).

As elaborated in the section on the description of Afghanistan's fiscal policies, Afghanistan initially adopted a highly centralized governance system through its new constitution in 2004. The new constitution laid down the basis of a centralized political, economic, and social network that could benefit from the flow of political and economic resources. The Constitution has given the president excessive authority and opportunities to expand his power to gain political support and

legitimacy mainly through executive and legislative authorities. These authorities include appointment authority of government high-ranking officials at central and local level, and the allocation and expenditure of public funds. As such, the two pieces of legislation adopted between 2005 and 2006—“Public Finance and Expenditure Management Law” and Financial Regulations”—reinforced such a strategy by formally introducing centralized planning and budgeting policies. The two policies were to serve the central government and its networks to channel resources to gain legitimacy.

Although Afghanistan, with the support of the international community, initiated different reforms to decentralize the existing planning and budgeting processes, the results were modest because the central government and the networks—the interest groups and the existing bureaucracies—created by the policies were in favor of centralized planning and budgeting processes. The adoption of recent planning and budgeting policies in 2015 supports this argument. As elaborated above, the new policies simply reiterate the existing centralized planning and budgeting processes with even more limitation on powers of local administrations. This effectively proves that Afghanistan is locked-in a centralization path in which the political, economic, and social networks do not want to lose their access to the political and economic resource of the state. Such lock-in and stickiness prevent any change in the status quo. Any path-departing policy would cause disruption and in turn opposition from the political, economic, and social networks. Therefore, the centralized planning and budgeting policies locked in, remained stable, and have resisted any possible change in Afghanistan.

4.3. INTERPRETATIONS OF DECONCENTRATED PLANNING AND BUDGETING

In addition to the origin and continuity of the centralized planning and budgeting for the allocation of discretionary development budget, this section provides four main perspectives on

the adoption of the newly initiated reforms under PDPG and PBP.

4.3.1. The PDPG and PBP as Crisis-driven Policy Reforms

Given the slow pace of reforms and development in Afghanistan, the year 2014 proved pivotal for a number of reforms in enhancing the state capacity to provide more effective and efficient public goods and service delivery—in addition to ensuring security and enhancing political legitimacy. The formation of the NUG coincided with the advent of a decade of transformation where the new administration expressed its commitments to reform and renewed partnership with international donors through “Realizing Self-Reliance” strategy. This decade of transformation—characterized as owner and partner—signaled a higher level of conditionality for aid which required a stronger commitment to initiate reforms and for practical action. For example, in line with its commitment and mandate, the NUG finally adopted, among other policies, the PBP in 2015 that was originally supposed to have been adopted back in 2006. As a complement, the NUG also adopted PDPG.

Under a centralized model of governance, the policymaking process is extensively dominated by the central government or “policy elites.” In supporting this point, I rely on scholarships of policy reform process in third world countries by Grindle and Thomas’ political economy of reform and Brinkerhoff’s managing policy reform. Grindle and Thomas highlight two forms of policy process in developing countries: crisis-driven and politics as usual (Grindle and Thomas, 1991). The former refers to policy reforms where the center has high stakes to initiate policy at a faster pace while the latter situation occurs when the central government has a lower stake and it usually takes longer time for a policy to be adopted (Grindle and Thomas, 1991). In the same vein, Brinkerhoff argues that in the centralized systems “dominated by interlocking elites and reinforced by patronage, building advocacy capacity among disenfranchised or marginalized

groups is unlikely to be sufficient to modify the [] dynamics significantly, absent other changes” (Brinkerhoff and Crosby, 2002). In other words, Brinkerhoff suggests that centralized systems discourage inclusive policy reform processes.

Afghanistan’s post-2001 clearly matches the crisis-driven policy process suggested by Grindle and Thomas and Brinkerhoff’s characterization of centralized policy making. Given its weak civil society, discouraged by the centralized model of governance in which there is no venue for meaningful and effectual participation by civil society, the policy reform process has been fully dominated by the central government.

That said, while pending for more than a decade, the Afghan government finally adopted the PBP due primarily to the high conditionality strategy for future supports to Afghanistan by the international donors. Such conditionality seems to have worked upon the advent of the decade of transformation in Afghanistan, if compared with the last decade of transition where Afghanistan was only the recipient of the aid. The adoption of the PBP and PDPG demonstrates the impact of conditionality of funds in the decade of transformation.

Likewise, two recent important frameworks, in addition to previous agreements, have been key in the adoption of the PBP and PDPG: the Tokyo Mutual Accountability Framework and Afghanistan National Peace and Development Framework. These two frameworks have emphasized creating a legal framework to clarify the roles and responsibilities of government agencies at the central and local levels and developing a provincial budgeting process to incorporate the local priorities into the national budget (TFAM). In line with these two frameworks, the NUG’s strategy, “Realizing Self-Reliance”, also followed suit and highlighted fiscal sustainability and development planning and management reforms as its key mandates. Accordingly, the PBP was adopted one year after one the formation of the NUG.

4.3.2. Political Interpretation

Political interpretations consider the formulation and adoption of PBP and PDPG as driven by the political imperative of the NUG suggesting that the new administration is willing to undertake necessary reforms to comply with the requirements of the transformation decade that is characterized by owner and partner.

Given the sporadic reforms regarding planning and budgeting processes in Afghanistan, the PBP and PDPG can be considered as the first comprehensive move towards decentralizing planning and budgeting functions to local administrations. It is important to note that the PBP and PDPG have not devolved any financial authority—autonomy with regard to revenue collection, expenditure, and contracting—but have tried to clarify the roles and responsibilities of central and local entities with regard to planning and budgeting. As such, the NUG has accelerated the formulation and adoption of PBP and PDPG in order to demonstrate the willingness to undertake reforms and meet the requirement mandates by international donors through different international conferences to continue supporting and funding state building and development in Afghanistan.

4.3.3. Technical Interpretation

The PBP and PDPG can also be interpreted as a technical reform to planning and budgeting processes in Afghanistan. The PDPG and PBP represent good examples of technical approach to state building and development in Afghanistan. It is important to know that the political approach is always important in state building and development reforms in conflict-affected and fragile states like Afghanistan. After a brief analysis of the content of PDPG and PBP, it is clear that the Afghan government has only focused on the technical aspect of planning and budgeting processes while their political aspects—devolution of fiscal powers and authorities—have remained untouched. This is so while the political aspect of reforms determines, to a great extent, the success

of reforms in conflict-affected and fragile countries.

4.3.4. Coordinating Donor Support

Consistent with the technical interpretation, the PBP and PDPG can be interpreted as a device for coordinating donor supports and funding. The PBP recognizes the international donor community as “a key partner in the implementation of policy” and their provision of technical assistance, capacity building, and funding for both central government and local administrations. As such, the formulation and adoption of PDPG is the very first indication of such support. It is mentionable that the Afghan MoEc, with close assistance of and coordination with ISLA-USAID, formulated and adopted PDPG. Considering the high level of economic dependency on international donors, the Afghan government has tried to mobilize international funding through PDPG and PBP.

4.3.5. Bureaucratic Interpretation

The bureaucratic interpretation considers the formulation and adoption of PBP and PDPG as a centrally initiated policy reform in order to primarily institutionalize a top-down approach to planning and budgeting and to accelerate the process of deconcentration of planning and budgeting. Considering the still excessive centralization of planning and budgeting, one can deem the formulation and adoption of PBP and PDPG only as tools to strengthen the domination of the central government over the planning and budgeting processes. This is illustrated through the deconcentrated and integrated system of local administrations in Afghanistan.

4.4. CONCLUSION

Through this chapter, I explained the origin and continuity of centralized planning and budgeting systems in Afghanistan since 2001. I also explained how the political and economic incentives of state builders and Afghan central and local politicians overlapped with the initial

adoption of highly centralized institutional setting in the first hand. Once established, the existing institutional setting created a set of actors or networks invested in a system that in turn would oppose any change to the status quo. This situation happened in Afghanistan and resulted in the continuity of the centralized planning and budgeting system. The adoption of PDPG and PBP, as administrative deconcentration, provides a good example. In order to further elaborate on why the Afghan government adopted PDPG and PBP, I presented some potential interpretations underlying the two policies.

The Afghan government has claimed that adoption of PDPG and PBP would improve participation, predictability, transparency, and equitability in the planning and allocation of discretionary development budget. I attempt, in the next chapter, to measure whether the Afghan government has been able to achieve these goals.

CHAPTER FIVE: PDPG AND PBP IMPLEMENTATION OUTPUT AND OUTCOME EVALUATION

In this chapter, I undertake the second level of analysis of this dissertation, which reflects a policy performance evaluation of PDPG and PBP. The primary goal here is to show how the Afghan central government has allocated the discretionary development budget under deconcentrated planning and budgeting (PDPG and PBP) and whether it has been successful to improve local participation and allocative efficiency through PDPG and PBP.

As such, I have two tasks to accomplish here. I first monitor whether the implementation of PDPG and PBP resulted in achieving the intended outputs of establishing four provincial planning and budgeting committees, creating Provincial Development Plans (PDPs), and producing Budget Circulars 1 and 2. I secondly evaluate whether these outputs have resulted in the intended outcomes of PDPG and PBP. These intended outcomes include allocation of discretionary development budget through improved participation (PDP incorporation in the national budget and the share of local administrations in the allocation decision-making) and allocative efficiency (predictability, transparency, and equity).

As the Afghan government could not implement the PDPG and PBP in the first year of their adoption due to technical difficulties, I evaluate the implementation outputs and outcomes of the two policies during fiscal year 1397 across all 34 provinces and the four specific case studies of this dissertation. Accordingly, this chapter has three main sections. The first develops a theory of change to define the scope of implementation output and outcome evaluation, and to describe the elements of theory of change that includes inputs/activities, outputs, outcomes, and impacts. The second presents data on elements of theory of change for the 34 Afghan provinces. Finally, I

analyze and compare the performance of Afghan local administration with ultimate amount of discretionary development budget.

5.1. DEVELOPING A THEORY OF CHANGE

In conducting monitoring and evaluation of a program, the first step is to develop a Theory of Change (TOC). A TOC provides a roadmap that outlines how a program works to change the outcome and deliver impact (Gugerty and Karlan, 2018: 30-32). In other words, a TOC works as a map that links the input and activities to the intended output and show how such outputs change outcomes that ultimately determine the impact of a program. Also, a TOC highlights the key assumptions of a program and the potential risks to the successful implementation of a program, and ultimately helps the organizations to pinpoint the right data they need to collect.

Accordingly, there are six steps to develop a theory of change. The first step is to define the problem and the intended results. The second is to define the inputs and activities that refer to the main activities needed to achieve the intended outputs. The third requires identifying the outputs that refer to the immediate result of implementing the activities. The fourth refers to defining the outcomes that determine impact of a given policy. The intended outcomes of a policy derive from the policy outputs. While policy outputs are under the control of the government or the organization that implements a given policy or program, achieving outcomes is tricky in the sense that there always can be some external factors affecting the achievement of the intended outcomes of a given policy or program. Therefore, the outcome part of the TOC requires the evaluators to create a set of hypotheses and assumptions about how the program activities would result in certain outcomes—this includes the intended outcomes of the program and the unintended outcomes of the program. The literature calls this process as “outcome mapping” (Gugerty and Karlan, 2018: 33-41).

The fifth step in TOC is identifying assumptions that form the basis of a theory of change as theories rest on assumptions, both implicit and explicit (Gugerty and Karlan, 2018). Assumptions refer to every link between program activities, outputs, and outcomes. In order to have a program to work as expected, the assumptions must hold. Identifying assumptions, implicit and explicit, constitutes an important part of developing a TOC because without such assumptions, it is difficult to monitor and evaluate a program's effectiveness (implementation) and impact. The assumptions fall into two categories: assumptions that connect activities to outputs and assumptions that connect the outputs to outcomes (Gugerty and Karlan, 2018: 41-42). Finally, the sixth encompasses identifying risks and unintended consequences. Although the TOC identifies assumptions and predictions about the links between its different elements, another big assumption is that they world will not stay the same (Gugerty and Karlan, 2018: 41-42). The organizations must think about and highlight the possible risks and unintended consequences to and of the program. This way they can take the necessary actions in order to mitigate those risks and achieve the program outcomes.

5.1.1. Theory of Change and Theory-based Evaluation

If monitoring and evaluation of a policy is based on a theory of change, one can identify such monitoring and evaluation a theory-based evaluation. According to Weiss and Pawson, theory-based evaluation simply means that social programs are based on explicit or implicit TOC that shows how and why a program will work (Weiss, 1995:66-67; Pawson, 2002: 472). As such, the theory drives the program monitoring and evaluation. Given the fact that theories are a set of assumptions, the theory-based evaluation primarily examines which program assumptions hold and which don't. This constitutes the core of theory-based evaluation.

Accordingly, Weiss has recognized four main purposes behind adopting a theory-based

evaluation. First, theory-based evaluation concentrates attention and focus on key aspects of the program; second, theory-based evaluation will generate knowledge about what works, how and why; third, theory-based evaluation helps governments/organizations make consensus on program assumptions on what the governments/organizations do and why; and fourth, theory-based evaluation influence both policy and popular opinion (Weiss, 1995:69). Accordingly, testing whether or not the assumptions hold constitutes the core of theory-based evaluations because the theory-based evaluations are based on assumptions derived from policy's theory.

Once assumptions are made, theory-based evaluation enters into an empirical phase. In this phase, evaluators will engage in investigating how a given program results in intended outcomes by collecting evidence to validate, invalidate, or revise the assumptions (also called hypothesized explanations). This will include constructing methods of data collection and analyzing whether or not the assumptions hold.

With that, this section develops a theory of change for PDPG and PBP. As the PDPG and PBP are closely related and share a common objective, the following theory of change encompasses the planning and budgeting processes under PDPG and PBP.

Theoretical Basis of the Problem

In rebuilding conflict-affected and fragile countries, providing effective and efficient public goods and services is a priority. To achieve this priority, the literature suggests improving allocative efficiency together with fiscal discipline and productive efficiency through a sound public finance management system. In simple terms, allocative efficiency refers to distribution or allocation of public funds to the right jurisdictions and based on people's preferences (Andrews, 2007: 375). In this regard, intergovernmental transfers—transfer of public funds from one level of government (mostly the central government) to another—represent one of the main instruments of

public finance management system to achieve allocative efficiency. Accordingly, the key question is how to design intergovernmental transfer systems to improve allocative efficiency and in turn enhance the quality of public goods and services delivery.

Although the literature of intergovernmental transfers acknowledges that there is no universal pattern for intergovernmental transfers, it provides certain criteria such as spending needs, spending capacity, population, and/or specific formula for intergovernmental transfers (Allers and Ishemoui, 2011:1781). These criteria are normally incorporated in the planning and budgeting policies of countries. This means that the planning and budgeting policies of countries can demonstrate the design and the criteria based on which intergovernmental transfers are made. The literature suggests that the design of planning and budgeting policies can differ with regard to their extent of centralization and decentralization. Under either of these design patterns, the governments would justify their intergovernmental transfer mechanism based on normative approach, improving efficiency and equity, but the literature suggests that the intergovernmental transfers decisions are influenced by political and economic incentives (Musgrave, 1959; Oates, 1972).

To create an intergovernmental transfer system that improves allocative efficiency that in turn results in a better public goods and service delivery, the literature suggests enhancing the democratic aspects of the planning and budgeting processes. Specifically, the literature prescribes utilizing a participatory planning and budgeting process to enhance the level of participation, transparency, predictability, and equity in the intergovernmental transfer mechanism.

Factual Basis of Problem in Afghanistan

In 2001, Afghanistan started a new era of efforts towards state building and development with the support of the international community led by the USA. Focused on providing effective

and efficient public goods and services together with ensuring security and enhancing legitimacy, the Afghan government undertook numerous initiatives to create a robust public finance management system. Afghanistan adopted a traditional and highly centralized PFM system through which the central government gained excessive control over tax mobilization, planning, budgeting (formulation, allocation, and execution), monitoring, and evaluation.

With the adoption of such traditional and highly centralized planning and budgeting processes, the Afghan central government dominated the decision-making over planning, budgeting and intergovernmental transfers. Under these planning and budgeting processes, the local governments were only proposers of development plans and projects and the central government the sole decision-maker and implementer. With such an excessive centralization and no participation and accountability mechanism in place, the result was political favoritism, disproportionate allocation of public funds, and ambiguity in public funds allocation were the results. These had negative effects on the allocative efficiency and in turn the quality of public goods and service delivery in Afghanistan (Jalal, 2013; Salthmarshe and Mehdi, 2011; Boex, 2012; Nijssen, 2011).

Although Afghanistan undertook numerous efforts to reform the planning and budgeting processes, the results were modest and did not result in significant changes in the status quo. However, the recent democratic transition in Afghanistan in 2014 proved pivotal for a series of reforms including planning and budgeting reforms. In order to cope with the problems mentioned above, the Afghan government adopted the “Provincial Development Planning Guideline” (PDPG) and “Provincial Budgeting Policy” to improve, among others, allocative efficiency through enhancing the level of participation, transparency, predictability, and equity in the

provincial planning and budgeting processes. Achieving allocative efficiency in turn should improve the quality of public goods and service delivery.

Defining Local Planning and Budgeting Activities under PDPG and PBP

As the PDPG and PBP aim to achieve several objectives, there are numerous activities that the central government and local administrations should undertake. In order to make the evaluation task manageable and understandable, this chapter focuses on specific activities—proposed by PDPG and PBP—that result in certain intended outputs. With regard to PDPG that describes the planning process, this section focuses on the creation of provincial planning technical committees and the process of making Provincial Development Plans (PDPs). It is mentionable that four provincial technical committees commonly operate in the planning and budgeting process. With regard to PBP, this section elaborates on the activities required to develop Budget Circulars 1 and 2.

According to PDPG, developing comprehensive and functional PDPs requires the establishment of four provincial committees that engage at various steps of the planning process. These four sub-committees are Provincial Development Committee (PDC), Provincial Public Financial Management Committee (PFMC), Provincial Sub-Technical Committee (PSTC), and Provincial Sub-Sectorial Committee (PSSC) (PDPG, 2015: 12-13). Since the adoption of PDPG and PBP, all local administrations have established their provincial planning technical committees. However, the activities related to making provincial development plans consists of ten steps that were elaborated on in Chapter Four of this dissertation. In order to further elaborates on the planning process, Figure 5.1 describes the planning process step by step with clarification of roles and responsibilities of both central and local entities involved in the planning process.

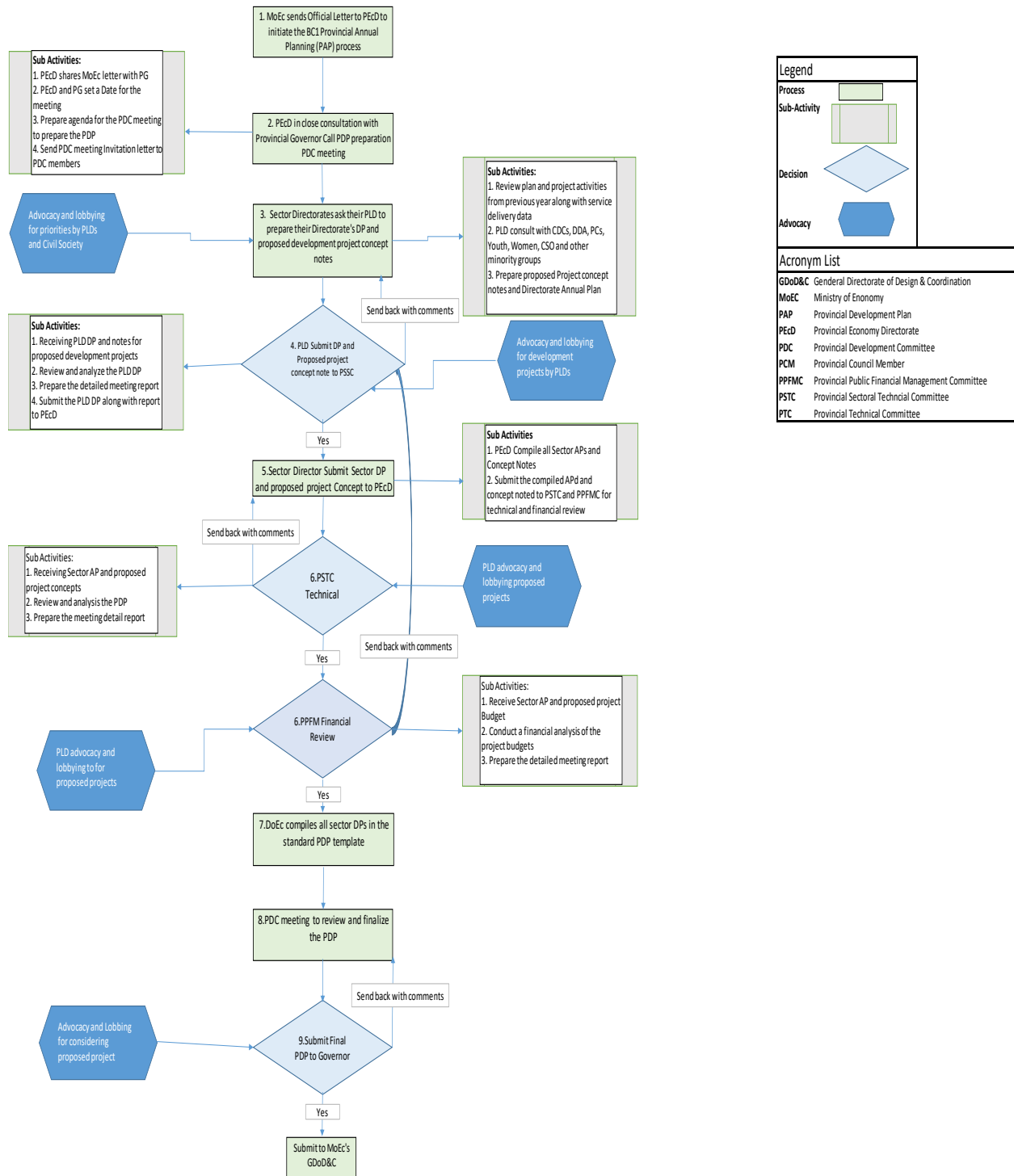


Figure 5.1: Provincial Development Planning Process (PDPG, 2016: 18-19)

While the MoEc directs the provincial planning technical committees to undertake the planning process, the MoF takes over the budgeting process. The local administrations are involved only in the budget formulation stage of the budgeting process, specifically creating the Budget Circulars. In this regard, the PBP has proposed a timeline to undertake several activities in order

to prepare the Budget Circular 1 and 2. The Budget Circulars encompass the list of prioritized projects proposed by the local administrations to the MoF.

At the beginning of the budgeting process, the MoF—the leading organ for budgeting (formulation, allocation, and execution), monitoring, and evaluation—sends the Budget Circular 1 (BC1) with budget calendar and initial ceilings to the Line Ministries and requires them to submit a budget proposal for the following year. With close cooperation of the MoEc with the budgetary units on their new activities, the Line Ministries submit their concept notes to the MoF and MoEc. At this stage, the international donors confirm their initial commitment for funding.

The MoEc, together with the MoF, conducts the technical review of the development projects (proposed through BC1), prioritizes them, and then the MoEc submits a detailed report on the prioritized projects to the MoF. At this point, the MoF prepares the Mid-Term Budget Framework and the final budget ceilings and submits them to the cabinet for approval. With the approval of the budget ceilings, the MoF issues the Budget Circular 2 with final budget ceilings to the budgetary units and tasks them to prepare and submit their proposals and concept notes of their development projects according to the final budget ceilings.

Then, the Line Ministries submit their annual proposals of their development projects to the Budget Department of the MoF. Upon receiving the BC2 from all line ministries, the MoF holds hearing meetings, in order to make decisions on the budgetary proposals, with budget committee and budgetary units. Considering the output of the hearing meetings, the Budget Department of MoF proposes the national budget. With that, the budget committee confirms the draft annual national budget and submits it to the Cabinet for approval.

Once approved, the government submits the draft national budget to the National Assembly for approval. Once the National Assembly approves the annual budget, the president endorses the

annual budget through a presidential decree and submits it to the MoF for execution. Finally, the MoF announces the approved annual budget and sends the annual budget to the budgetary units for implementation.

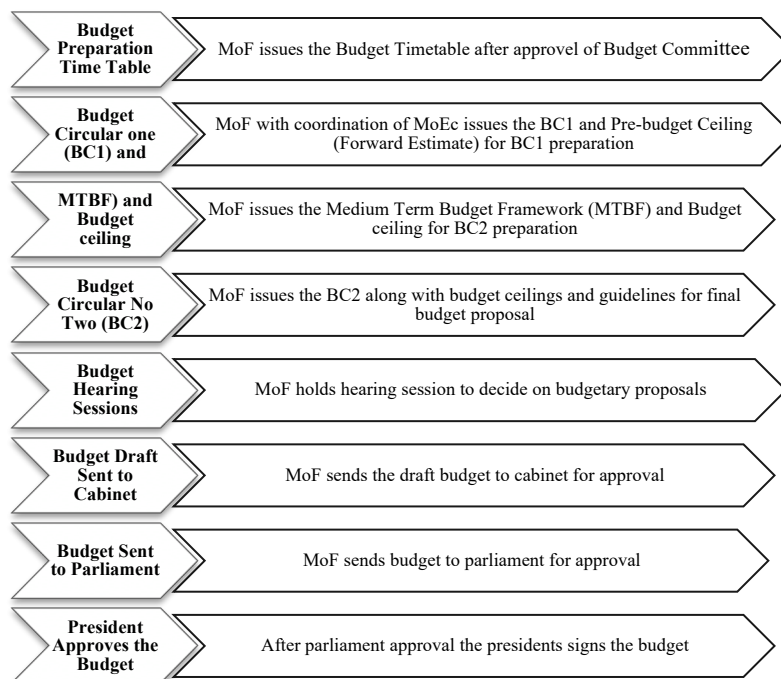


Figure 5.2: Afghanistan’s Budgeting Process

Identifying the Outputs of PDPG and PBP Implementation

Having implemented the planning and budgeting related activities detailed above, this evaluation focuses on specific planning and budgeting outputs. These outputs include creating four local planning and budgeting technical committees, producing PDPs, developing Budget Circulars 1 and 2 incorporating the prioritized provincial development plans.

Defining the Outcomes that Determine Impact

Although the Afghan government has aimed to achieve several outcomes from the implementation of the PDPG and PBP, this evaluation focuses primarily on how the implementation outputs have helped to (1) improve participation in planning and budgeting; and

(2) achieve allocative efficiency through enhanced enhancing transparency, predictability, and equity in discretionary development budget allocation.

With regard to improved level of participation in planning and budgeting, this evaluation refers to the share of provincial planning and budgeting in the final decision-making on the allocation of discretionary development budget. That said, the percentage of PDPs, reflected in BC1 and BC2, incorporated in the national budget could determine the share of or impact of the provincial planning and budgeting in the ultimate decision-making on discretionary development budget allocation. The extent of reliance on BC1 and BC2 for decision-making on the amount of discretionary development budgets determines the share and participation of local administrations. The achievement of predictability outcome depends on whether the central government and the MoF base their decision on the PDPs reflected in BC1 and BC2. A comparison between the projects incorporated in the National Budget and the projects proposed through PDP determines whether the budgeting (decision regarding the allocation of discretionary development budgets) is predictable.

The predictability outcome can in turn satisfy the achievement of transparency outcomes. This makes sense as long as the BC1 and BC2—the prioritized list of projects by local administrations—are the basis of decision-making. And finally, the equity outcome depends on comparing the amount of discretionary development budget allocation with the population and revenue contribution.

In terms of impact, PDPG and PBP aim to improve the quality of public goods and service delivery. However, impact evaluation is beyond the scope of this evaluation because of (1) the short time-span of PDPG and PBP implementation; and (2) the difficulty of developing causal relationship between the policy and the intended impact.

Identifying Assumptions

With regard to outputs and outcomes, this evaluation suggests two types of assumptions that are embedded in the logic of the PDPG and PBP frameworks. First, the assumptions about the connections between activities and the intended outputs; and second, the assumption about the connections between the outputs and the intended outcomes that in turn determine the impact of PDPG and PBP. With regard to the first type of assumptions, this evaluation suggests the following:

- All local administrations establish the four provincial planning technical committees
- All local administrations undertake the tens steps in the planning process
- Accordingly, the local administrations produce Provincial Development Plans (PDPs)
- All local administrations undertake the required steps in the budgeting phase (those assigned to the local administrations)
- All local administrations (all provincial line directorates) produce the Budget Circulars 1 and 2

In terms of assumptions about connections between outputs and the intended outcomes of the PDPG and PBP, this evaluation suggests the following:

- The implementation outputs together ensure an improved level of participation in decision-making over the allocation of discretionary development budget.
- The above outputs together help the Afghan government and local administrations to improve the level of allocative efficiency that include transparency, predictability, and equitability in the budgeting processes.

5.2. EVALUATION DESIGN

As noted, this evaluation focuses primarily on outcomes of PDPG and PBP. In particular, it measures the degree to which the implementation of PDPG and PBP—activities related to developing provincial planning and budgeting technical committees, provincial development plans, and BCs—have helped improve participation, transparency, predictability, and equity in decision-making on allocation of discretionary development budgets. These measures in turn show how the PDPG and PBP have helped the Afghan government to achieve improved participation and efficient allocation of the discretionary development budget during the fiscal year of 1397.

In terms of sampling, I employ a non-randomized design in the sense that this analysis measures the performance of all 34 Afghan local administrations with regard to the respective outputs and outcomes. Such measurement provides an overall picture about the effect of PDPG and PBP implementation on achieving the intended outcomes. In terms of data, as elaborated on in the research design chapter, this evaluation relies on interviews (in six Afghan provinces including the capital city of Kabul), government (primarily MoF and MoEc) reports and websites, and USAID annual reports.

Table 5.1: PDPG and PBP Theory of Change

Activities	Outputs	Outcomes	Impact
<ul style="list-style-type: none"> • Ten-step planning activities • Ten-step budgeting activities 	<ul style="list-style-type: none"> • Creation of four provincial planning and budgeting technical committees • Producing Provincial Development Plans • Developing BC1 • Developing BC2 	<ul style="list-style-type: none"> Allocative efficiency <ul style="list-style-type: none"> • Predictability • Transparency • Equity Improved participation in planning and budgeting process 	<ul style="list-style-type: none"> Effective and efficiency public goods and service delivery

5.3. PRESENTING DATA ON ELEMENTS OF THEORY OF CHANGE

This section presents data on the intended outputs of implementing PDPG and PBP. Given the narrow scope of this evaluation on outcomes rather than outputs, this evaluation skips focusing on monitoring the activities of the local administrations that would ultimately result in four implementation outputs of PDPG and PBP. As such, this section only elaborates on the data on these outputs rather than the specific activities resulting in these outputs. While all 34 provinces have been able to achieve the four expected implementation outputs (related to this analysis), it is mentionable that the quality of implementation definitely diverges given the technical support provided by ISLA-USAID² to 16 of 34 Afghan local administrations. However, such analysis is not within the scope of this evaluation.

5.3.1. Provincial Planning and Budgeting Technical Committees

The data from interviews and reports published by Ministry of Economics show that all 34 Afghan local administrations have created the four provincial planning and budgeting technical committees. This means that it is currently very rare that a local administration does not have the four provincial technical committees to implement the PDPG and PBP. However, almost all 34 Afghan local administrations lack budget specialists (proposed by PBP) that should closely work with Directorate of Finance in terms of budget formulation. In a few provinces—including Balkh, Herat, and Parwan—one of the staff voluntarily undertake this position.

According to Senior Public Finance Management Advisor in ISLA-USAID, “all 34 Afghan local administrations have been able to implement the PDPG and PBP. However, one can notice

² USAID’s Initiative to Strengthen Local Administration in Afghanistan (ISLA) works with 16 of 34 Afghan local administrations to implement the PDPG and PBP. USAID-ISLA has four main components of provincial planning, subnational institution building, inclusive advocacy, and public engagement.

some differences among the local administrations, especially among those not receiving ISLA-USAID's technical assistance." Another interviewee highlighted the difference between the provinces receiving technical support and those not receiving in meeting the deadline set by MoF and MoEc.

5.3.2. Provincial Development Plans (PDPs)

Like the technical committees, all 34 Afghan local administrations have successfully produced PDPs following the instruction from PDPG. However, given the technical support provided by ISLA-USAID to 16 of 34 provinces for the implementation of PDPG, the data demonstrate a major difference in the quality of PDPs among these provinces. The USAID-ISLA has conducted an annual plan quality assessment based on two main indicators of quality of gender analysis discussion and quality of development plan discussion. With regard to the gender analysis discussion, the PDPs are scored based on three main questions of (1) whether PDPs mention the number of jobs created for women by all projects in the PDP; (2) whether PDPs mention the number of direct beneficiaries who are women; and (3) whether PDPs mention the level of consultation with women and how the projects will contribute to gender equality. The answers to these questions vary between yes and no that represent (1) and (0) respectively.

Likewise, the quality of development plan discussion is assessed based on level of details about certain development sectors. Such quality of discussion ranges between 4 representing very detailed and 0 representing no details provided. Accordingly, the report calculates the mean scores of the two categories, highlighted above, that fall into rating groups of 25% or less representing poor quality; 26%-50% as fair; 51%-75% good; and 76% and more as excellent.

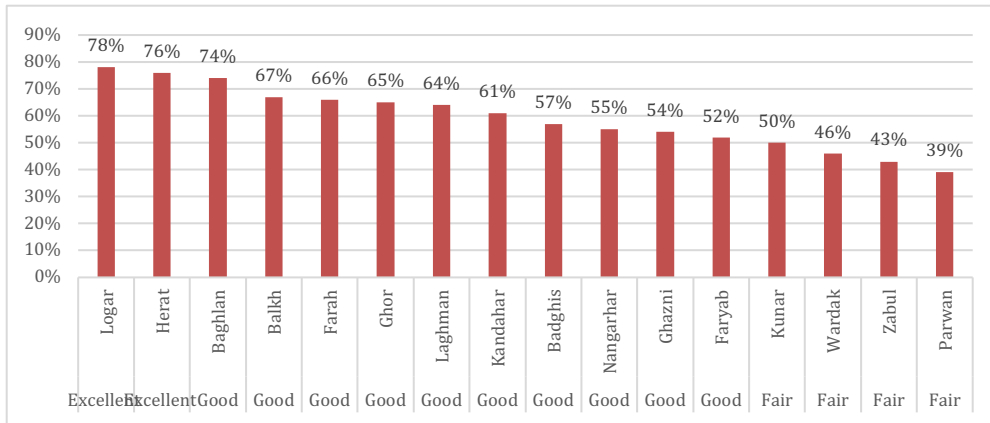


Figure 5.3: FY 1397 PDP Quality Assessment for 16 Provinces under ISLA’s Support (ISLA-USAID 2018 Report)

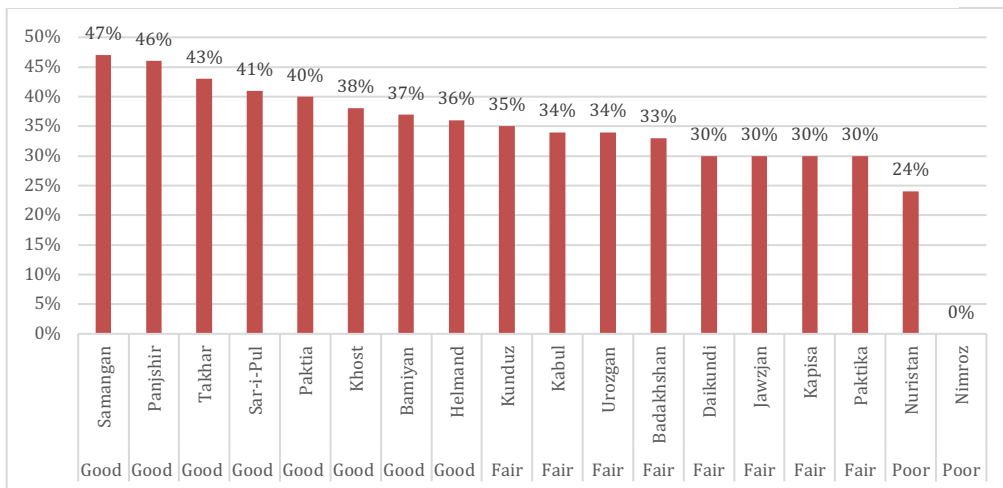


Figure 5.4: FY 1397 PDP Quality Assessment for 18 Provinces not under ISLA’s Support (ISLA-USAID 2018 Report)

5.3.3. Budget Circulars (BCs)

As noted, the budget formulation begins when the MoF issues the first Budget Circulars to the local administrations. In theory, the BCs must constitute the basis of decision-making for the central government and Ministry of Finance because the BCs represent the prioritized list of development projects produced after implementing the planning and budgeting activities. According to ISLA-USAID report, the performance of all 34 local administrations show that 96% of PDPs have been incorporated in BC1 while this percentage increases to 98% in BC2 (ISLA-

USAID Report, 2017). This shows that the local administrations have been implementing the PDPG and PBP step by step.

5.4. PRESENTING DATA ON OUTCOMES OF PDPG AND PBP IMPLEMENTATION

There are two main outcomes of interest in this evaluation. The first is the improved level of participation in planning and budgeting that refers to the degree of local administrations' participation in decision-making on allocation of discretionary development budget and the second is allocative efficiency that is achieved through enhancing predictability, transparency, and equity. Except the equity indicator of allocative efficiency that relies on data comparing the amount of development budget and per capita, this evaluation relies on data from ISLA-USAID's report that can illustrate the local participation or local share in decision-making, predictability, and transparency.

5.4.1. PDP Incorporation in the National Budget

Upon the submission of the BC2 to the Ministry of Finance, the formal role of local administrations ends with regard to budget formulation. This means that the PBP has not proposed any further role and activities for local administrations with regard to budget allocation. According to the rules, the local administrations submit their budget proposals, through the BC2, to the MoF and it is then that the central procedures for budget allocation begins. Table 5.2 demonstrates the percentage of the PDPs incorporated in the National Budget in the Fiscal Year of 1397.

Table 5.2: The Percentage of PDP Incorporation in the Fiscal Year of 1397

Province	% of PDP Projects Budgeted in NBP	
	Based on ISLA-USAID Report	Based on MoEc Report
Badghis	7%	7%
Baghlan	9%	9%
Balkh	9%	9%
Farah	1%	1%
Faryab	13%	15%
Ghazni	11%	11%
Ghor	7%	7%
Herat	8%	23%
Logar	0%	0%
Laghman	24%	25%
Nangarhar	19%	19%
Kandahar	7%	12%
Kunar	26%	26%
Parwan	22%	22%
Wardak	28%	28%
Zabul	8%	18%
Samangan	4%	4%
Jawzjan	12%	12%
Sar-i-Pul	16%	15%
Nimroz	1%	4%
Kabul	1%	1%
Kapisa	8%	8%
Panjshir	10%	10%
Paktia	6%	6%
Paktika	4%	8%
Bamiyan	6%	7%
Daikundi	2%	2%
Khost	15%	15%
Nuristan	7%	7%
Urozgan	11%	12%
Helmand	12%	12%
Kunduz	4%	5%
Takhar	4%	4%
Badakhshan	14%	14%

Source: ISLA-USAID Report 2018

**5.4.2. Participation and Share of Afghan Local Administrations in the Allocation of
Discretionary Development Budget**

Table 5.2 depicts the minor share of local administrations in decision-making on allocation of discretionary development budget in the FY1397. According to these data, the highest percentage of PDP incorporation in the national budget ranges between 15% and 28% that represent only a few of the local administrations while rest of the local administrations score between 0% and 15%. Accordingly, the data suggest that only 8-9% of PDPs have been incorporated in the national budget or have been funded by the central government.

This is while the data from the FY1396 in which the PDPG and PBP were not implemented show the same low level of incorporation or funding of the PDPs in the national budget. Table 5.3 is quite indicative. It is mentionable that Table 5.3 reflects the data from 16 of 34 Afghan local administrations.

Table 5 3: The Percentage of PDP Incorporation in the Fiscal Year of 1396

Province	No of Projects Proposed in PDP	No of PDP Projects Budgeted in NBP	% of PDP Projects Budgeted in NBP
Badghis	181	19	10%
Baghlan	146	21	14%
Balkh	139	17	12%
Farah	283	28	10%
Faryab	186	23	12%
Ghazni	268	16	6%
Ghor	285	11	4%
Herat	331	5	2%
Logar	136	16	12%
Laghman	183	23	13%
Nangarhar	170	9	5%
Kandahar	206	32	16%
Kunar	156	34	22%
Parwan	267	8	3%
Wardak	138	12	9%
Zabul	262	33	13%

Source: ISLA-USAID Report 2018

5.4.3. Allocative Efficiency

The allocative efficiency outcome consists of three indicators of predictability, transparency, and equity that are suggested by PDPG and PBP. The data presented above are quite helpful to reflect on whether the implementation outputs have resulted in achieving the intended indicators of predictability and transparency. With the overall 8-9% of incorporation or funding of PDPs in the national budget, it is quite suggestive that the Afghan local administrations would not be able to predict the percentage of PDPs to be funded by the central government. According to head of Economics Directorate in Balkh province, “We do not have any prospect about how many of our proposed projects would be funded in the national budget.” The interviewees from Parwan, Herat, Kandahar, and Takhar also shared this view and complained about the ambiguity in the budget allocation process.

Lack of predictability in turn results in the failure to achieve transparency in the allocation of discretionary development budget. According to local officials in Parwan, “We spend around six months on preparing provincial development plans and budget circulars according to the instruction from PDPG and PBP, but the ultimate development budget is quite disappointing. The final allocation of development budget for the projects does not match with what we prioritized and proposed in the budget circulars.”

With regard to equity, this evaluation conducts two comparisons. The first compares the population with the total development budget allocated. The per capita development budget would suggest whether the development budget allocated matches with the populations. However, the second compares the revenue contribution of the local administrations with total allocation of development budget.

Table 5.4: A Comparison between Population and the Allocated Discretionary Development Budget

Province	Population	Dev Budget Per capita	Allocated Development Budget	Development Budget needs as per capita
Kabul	4,679,648	1,354	6,337,625,902	5,943,152,960
Herat	1,967,180	1,164	2,291,563,726	2,498,318,600
Kandahar	1,279,520	1,702	2,178,175,413	1,624,990,400
Nangarhar	1,573,973	782	1,231,628,844	1,998,945,710
Parwan	687,243	2,173	1,493,902,231	872,798,610
Takhar	1,017,575	1,351	1,375,741,355	1,292,320,250
Faryab	1,032,765	1,676.73	1,731,666,030	1,311,611,550
Balkh	1,382,155	756	1,045,815,667	1,755,336,850
Paktia	570,534	1,386	790,948,852	724,578,180
Logar	405,109	2,758	1,117,610,167	514,488,430
Nimroz	170,790	7,183	1,226,843,585	216,903,300
Baghlan	943,394	1,436	1,355,524,268	1,198,110,380
Ghor	713,158	848	605,147,123	905,710,660
Bamyan	462,144	1,039	480,279,291	586,922,880
Kapisa	455,574	2,184	994,977,468	578,578,980
Jozjan	559,691	1,416	792,930,418	710,807,570
Ghazni	1,270,192	503	639,274,132	1,613,143,840
Wardak	615,992	1,919	1,182,153,209	782,309,840
Laghman	460,352	1,880	865,661,813	584,647,040
Khost	593,691	1,450	861,161,714	753,987,570
Badakshan	982,835	839	824,817,943	1,248,200,450
Daikundi	475,848	1,715	816,474,397	604,326,960
Samangan	401,134	2,112	847,545,668	509,440,180
Sare Pul	578,639	960	555,828,380	734,871,530
Kunduz	1,049,249	571	599,354,545	1,332,546,230
Kunar	465,706	1,250	582,212,709	591,446,620
Farah	524,657	627	329,063,201	666,314,390
Zabul	314,325	1,039	326,811,087	399,192,750
Panjshir	158,548	2,155	341,776,687	201,355,960
Helmand	955,970	535	511,623,887	1,214,081,900
Noristan	152,845	2,194	335,353,662	194,113,150
Paktika	449,116	957	429,848,006	570,377,320
Uruzgan	362,253	546	198,005,751	460,061,310
Badghis	512,518	1,076	551,535,102	650,897,860
Total	28,224,323		35,848,882,233	35,844,890,210

Source: Afghanistan Statistics Organization's Report on Population and 1397 National Budget

Table 5 5: A Comparison between Revenue Contribution and the Allocated Amount of Discretionary Development Budget

Provinces	Total Provincial Revenue Contribution	Development Budget FY1397
Kabul	3,328,343,345.00	6,337,625,902
Heart	23,332,884,192.00	2,291,563,726
Kandahar	7,286,352,539.00	2,178,175,413
Nangarhar	16,188,577,320.08	1,231,628,844
Parwan	371,321,178.00	1,493,902,231
Takhar	428,217,137.00	1,375,741,355
Faryab	3,521,289,526.00	1,731,666,030
Balkh	14,141,519,543.80	1,045,815,667
Paktia	1,044,830,751.00	790,948,852
Logar	186,757,146.00	1,117,610,167
Nimroz	10,484,856,594.00	1,226,843,585
Baghlan	434,584,629.00	1,355,524,268
Ghor	152,270,143.00	605,147,123
Bamyan	204,394,630.00	480,279,291
Kapisa	192,027,726.00	994,977,468
Jozjan	340,410,731.00	792,930,418
Ghazni	427,772,983.00	639,274,132
Wardak	230,047,753.00	1,182,153,209
Laghman	245,878,782.00	865,661,813
Khost	393,363,666.00	861,161,714
Badakshan	368,755,826.00	824,817,943
Daikundi	141,051,816.00	816,474,397
Samangan	186,368,144.00	847,545,668
Sare Pul	178,869,722.00	555,828,380
Kunduz	1,395,125,574.00	599,354,545
Kunar	274,540,362.00	582,212,709
Farah	5,114,192,977.00	329,063,201
Zabul	104,072,916.00	326,811,087
Panjshir	105,116,674.00	341,776,687
Helmand	722,334,820.00	511,623,887
Noristan	63,516,691.00	335,353,662
Paktika	382,633,976.00	429,848,006
Uruzgan	68,409,492.00	198,005,751
Badghis	149,515,645.00	551,535,102

Source: Afghanistan Financial Management Information System (AFMIS) and 1397 National Budget.

The data show no association between the amount of discretionary development budget and population and revenue contribution of the Afghan local administrations. The development budget per capita (total discretionary development/total population) equal 1,270 AFA. Considering this amount and the amount of allocated discretionary development budget, one can easily observe the mismatch. The provinces with bigger population have received lower amount of discretionary development budget and provinces with smaller populations have received higher amount of discretionary development budget. Such mismatch is noticeable with regard to the revenue contribution of the local administrations. For instance, Balkh and Nangarhar provinces have receive much lower amount of discretionary development budget compared to Parwan.

There is no association between the amount of discretionary development budget and the revenue contribution as well. The provinces with higher revenue contribution have received lower amount of discretionary development budget than the provinces with less revenue contribution. For instance, Balkh and Nangarhar are the second highest revenue contributor to the central government, but they have received significantly lower amount of discretionary development compared to the provinces with much lower amount of revenue contribution.

5.6. CONCLUSION: DID PDPG AND PBP IMPROVE LOCAL PARTICIPATION AND ALLOCATIVE EFFICIENCY?

In the preceding sections, I measured the implementation outputs and outcomes of PDPG and PBP during the fiscal year of 1397. In terms of implementation outputs, I measured whether the Afghan local administrations have been able (1) to create four provincial planning and budgeting committees; (2) to develop provincial development plans; and (3) to produce the two budget circulars. The data showed that all 34 Afghan local administrations have been able to achieve the above-mentioned implementation outputs. In terms of outcomes, I evaluated whether

the implementation outputs have resulted in improved participation and allocative efficiency. With respect to improved participation, I measured two interrelated indicators of PDP incorporation in the national budget and the share of local administration in allocation decision-making. For improved allocative efficiency, I examined the degrees of predictability, transparency, and equity in the allocation of discretionary development budget.

As a result of this evaluation, I can draw two important conclusions: first that the planning and budgeting processes are still excessively centralized; and second that the implementation of PDPG and PBP has not helped the Afghan central government and local administrations to achieve improved participation and allocative efficiency—transparent, predictable, and equitable allocation of discretionary development budget.

With respect to the first conclusion, it became evident that the local administrations have limited influence and effect on the ultimate decision-making over the allocation of discretionary development budget. Under PDPG and PBP, the local administrations are actively engaged in creating provincial development plans and budget formulation. However, the local administrations identify, prioritize, and propose the local needs through budget circulars when the budget formulation phase begins. Once the local administrations send these plans to the central government, their role and influence end and the central government take over. In this sense, the formal rule (PDPG and PBP) may have proposed a process—that if implemented accurately and step-by-step—would have resulted in a more participatory, predictable, transparent, and equitable budgeting.

However, the second conclusion suggests otherwise. The data showed that the central government has funded no more than 28% of the PDPs. It is mentionable that only five provinces could have 15-28% of their PDPs funded by the national budget while the rest vary between 0%

and 15%. So, if we consider all the provinces, the percentage of the PDP incorporation falls to 8 to 9% of the PDPs on average.

The data also showed that the implementation outputs of PDPG and PBP have not resulted in allocative efficiency that include transparency, predictability, and equity in the allocation of discretionary development budget. With low percentage of PDPs being funded by the central government and almost no reliance on PDPs and BCs that represent the locals' prioritized development projects, one cannot expect predictability and transparency in the allocation of discretionary development budget. The data also show that the ultimate allocated amounts of discretionary development budget do not match the population and revenue contribution of the Afghan local administrations.

If the Afghan central government does not rely on the planning and budgeting processes under PDPG and PBP to allocate discretionary development budget and if their implementation has not resulted in improved participation and allocative efficiency, what factors and criteria does the central government consider? In the next chapter, I attempt to partly answer this question. I specifically examine whether the Afghan central government has considered administrative capacity and socio-economic conditions in the allocation of discretionary development budget for the fiscal year of 1397.

CHAPTER SIX: POTENTIAL FACTORS UNDERLYING THE ALLOCATION OF DISCRETIONARY DEVELOPMENT BUDGET IN AFGHANISTAN

In this chapter, I undertake the third level of analysis of this dissertation that pertains measuring the effect of two potential factors—administrative capacity and socio-economic conditions—on the allocation of discretionary development budget for the fiscal year 1397. Specifically, I measure whether the Afghan government has allocated discretionary development budget considering administrative capacity and socio-economic conditions. In other words, what are the characteristics of the local administrations that have received higher or lower amounts of discretionary development budget in Afghanistan? Although I conduct this analysis on all 34 provinces, I specifically focus on the administrative and socio-economic features of the four case studies of this dissertation.

With respect to administrative capacity, I measure three specific indicators of individual skills, institutional skills, and plan quality. For socio-economic conditions, I measure five indicators that fall into two categories of fiscal capacity (revenue contribution, spending needs, and spending capacity) and social indicators (per capital of discretionary development budget and area). I specifically compare the performance of the administrative and socio-economic characteristics of the four case studies with their ultimate allocated amount of discretionary development budget. Given the data on the four provinces' characteristics, I rank them by scores ranging between 1 to 4 where one represents the lowest and four indicate the highest. As such, it is helpful, at the outset, to present the amounts of discretionary development budget that the four case studies have received in the fiscal year 1397. It is mentionable that the rankings in Table 6.1 demonstrate the order of the amount of discretionary development budget among the four case studies.

Table 6.1: The Amounts of Discretionary Development Budget for the Case Studies

Province	Amount of Development Budget	Provincial Point Score
Kandahar	2,178,175,413	4
Parwan	1,493,902,231	3
Takhar	1,375,741,355	2
Balkh	1,045,815,667	1

Source: Ministry of Finance Website (1397 National Budget)

6.1. THE POTENTIAL FACTORS: ADMINISTRATIVE CAPACITY AND SOCIO-ECONOMIC CONDITIONS

In the preceding chapter, I measured whether the implementation of PDPG and PBP resulted in improved participation and allocative efficiency. The data suggested that the implementation of PDPG and PBP have not been conducive to improved participation and allocative efficiency that include predictability, transparency, and equity in the allocation of discretionary development budget. Ultimately, the data showed significant variation in the allocation of discretionary development budget among the Afghan provinces. With that, one may ask what are the main factors and criteria for the allocation of discretionary development budget in Afghanistan? What characteristics, if any, would justify the higher or lower amounts discretionary development budget in Afghanistan in the fiscal year 1397?

In this respect, the literature highlights some main criteria—or better to say, characteristics of the receiving government—for the allocation of intergovernmental transfers. These characteristics include, but are not limited to, historical allocation patterns, absorptive capacity, expenditure needs, historical difference in infrastructure endowment, administrative capacity, and political economy factors. Given the limitation of data, this dissertation examines three of these criteria: administrative capacity, socio-economic conditions, and political economy factors. The

first two are the subject of measurement in this chapter and the third one will be examined in the next chapter.

6.1.1. Administrative Capacity

The success of a given decentralization policy depends on its successful implementation. As the PDPG and PBP propose deconcentration of planning and budgeting functions to the Afghan local administrations, the success of PDPG and PBP depend to a great extent on the successful implementation of the two policies. In this regard, the literature defines implementation as “the execution or carrying out of a program or project aimed at achieving specific policy objectives” (Cheema and Rondinelli, 1983: 26), or the “process of interaction between the setting of goals and actions geared to achieving them. As such, the literature of implementation of decentralization policies identifies four major factors—environmental conditions, inter-organizational relationships, available resources, and characteristics of the implementing agencies—for successful implementation (Cheema and Rondinelli, 1983). Given the focus on this chapter, I only elaborate on administrative capacity feature in achieving successful implementation.

The literature provides numerous studies applying the factors related to characteristics of implementing agencies. David K. Leonard, John R. Nellis, Dennis A. Rondinelli, Kuldeep Mathur, Richard Harris, G. Shabbir Cheema, and Simona Milio all strongly emphasize the role of “administrative capacity” as the key factor for successful implementation.

Leonard suggests five criteria to examine the capability of the local governments: “(1) identifying development problems and opportunities; (2) creating possible solutions to development problems; (3) making decisions and resolve conflicts; (4) mobilize resources; and (5) managing development programs and projects (Leonard, 1983). These five criteria are similar to the four categories of functions that Putnam considers in defining the local government

performance: (1) policy processes, or “how well [a regional government] manages its internal affairs”; (2) policy pronouncements and programs, or how promptly social needs and “innovative solutions” are identified; (3) policy implementation, or “the success of these governments in their roles as problem-solvers and service-providers” and (4) local government responsiveness to constituents (Putnam, 1993: 65).

What these criteria suggest for defining administrative capacity is the ability to perform these functions. In this regard, Fukua-Parr *et.al* defines capacity as “the ability to perform functions, solve problems, and achieve objectives” (Fukua-Parr et al., 2002: 3; see also, Jańnicke, 2001). Believing that capacity is context specific, Hilder-Brand and Grindle define capacity as “the ability to perform and sustain appropriate tasks effectively and efficiently” (Hilder-Brand and Grindle, 1994:15). Other authors emphasize personal capacity and as any administration is staffed with personnel, it is their capacity that ultimately determines outcomes, for instance effective service delivery (Mentz, 1997; North, 1992). These scholars all provide broad definitions of capacity that do not indicate specific actions that the institutions are supposed to do. With that, Simona Milio argues, “for any policy area, reaching a definition of administrative capacity requires an understanding of what is it that one is trying to achieve” (Milio, 2007: 435). However, Milio operationalizes administrative capacity into four indicators: management, programming, monitoring and evaluation (Milio, 2007: 435).

Considering the above definitions of administrative capacity, I define administrative capacity as a combination of skills and ability to achieve the expected outputs and outcomes of a given decentralization policy. Considering the nature of PDPG and PBP, I operationalize administrative capacity into three indicators of skills (or individual capacity), organizational performance (or institutional capacity), and percentage of plan quality. The first two indicators

measure the levels of skills among the Afghan local administrations and the last one presents some sort of output resulted from the variant level of skills among the Afghan local administrations. It is mentionable that the data for the first two indicators come from the recent ISLA-USAID report that measures individual capacity, institutional capacity, and level of sustainability.

Individual Capacity/Skills

The “Individual Capacity” indicator measures the level of knowledge and skills of Directorates of Economics in 16 of 34 Afghan local administrations that are primarily tasked to develop and coordinate the process of creating Provincial Development Plans (PDPs), among other things. The ISLA-USAID has used “Skills Evaluation Metric” to identify this indicator. “The SEM is a customized evaluation matrix producing a percentage score for individual knowledge and skill levels and a team-based percentage index of the collective knowledge and skills of the group.” The SEM can determine the total team-based skills needed to complete the expected activities, functions, or service delivery required of the group. The results from SEM present a quantitative range in quartiles from 0 to 100 percent that are categorized as 1= 10% to 30%; 2= 31% to 50%; 3= 51% or over.

Given the focus of SEM on Directorates of Economics of 16 Afghan local administrations, the SEM’s indicators revolve around the core functions of DoEc that include activities related to development and coordination of PDPs, preparation and approval of the provincial monitoring and evaluation program (PMEP), and preparation of the DoEc Annual Work plan (AWP). As such, SEM measures the level of skills and knowledge of DoEc considering the following core functions:

1. Preparation of DoEc Annual Work Plan;
2. Development and coordination of the annual PDP process;
3. Preparing monthly, quarterly, and yearly reports;
4. Preparing advanced economic analyses and technical reports;
5. Advanced committee and meeting coordination and management (PDC meetings)

6. Preparing and approval of PMEP;
7. Advanced workshop and meeting facilitation;
8. Identification of provincial economic development opportunities;
9. Understanding counter-narcotics, corruption, and alternative livelihoods strategies;
10. Leadership skills;
11. MS Suite, Excel, Word, Outlook, Access;
12. Document control and record keeping; and
13. Budgeting and expenditure control and payments.

Table 6.2: SEM's Results for Balkh, Kandahar, Parwan, and Takhar

Province	Planning & PDP		Reporting		Budget	Org Committee	M&E		Econ Analysis		Narc/Corruption	General		Average Score	Provincial Point Score
	Preparing Work plan - PLD Monthly, Quarterly & Annual	Development of PDP Policy, Strategy, and Annual Program	Preparing reports on monthly, quarterly and yearly	Preparing advanced Economic Analysis and Technical Reports	Budget & Expenditure Management (DoEc Work Plan)	Advanced Committee & Meeting Coordination & Management (PDC meetings)	Developing & Preparing an M&E Framework	Advanced Workshops & Meetings Facilitation (M&E)	Identification of Provincial Economic Development Opportunities	Understanding Counter Narcotics, Corruption and Alternative Livelihood Strategy	Leadership Skills	MS Suite, Excel, Word, Outlook, Access	Document Management and Filing		
Balkh	44%	44%	40%	42%	28%	67%	50%	30%	50%	0%	33%	44%	60%	40%	4
Kandahar	25%	25%	40%	10%	75%	50%	17%	8%	25%	50%	0%	75%	0%	31%	3
Parwan	43%	20%	43%	0%	0%	50%	17%	50%	25%	0%	0%	36%	42%	25%	2
Takhar	20%	10%	10%	0%	10%	30%	15%	15%	10%	0%	0%	15%	0%	10%	1

Source: ISLA-USAID Report 2019

The data suggest that the level of skills among the four Afghan local administrations to implement the PDPG and PBP is not a consideration in the allocation of discretionary development budget. As such, Kandahar with second rank in skills and knowledge has obtained the highest amount of discretionary development budget while Balkh with highest level of skills among the four case studies has received the lowest amount of discretionary development budget. Likewise, Parwan and Takhar, which have respectively ranked third and fourth in the level of skills and

knowledge of local staff, have received the second and third highest amount of discretionary development budget. The data show that the individual capacity cannot be an indicator for the allocation of discretionary development budget.

Given the limitation of data on the individual skills of the Afghan local administrations in the implementation of PDPG and PBP, I could access to data for only 16 of the 34 provinces that actively receive technical support from ISLA-USAID. Figure 6.1 depict the relationship between the individual skills and the amount of discretionary development budget allocated to 16 of 34 Afghan local administrations. As clear, there is a very week correlation between the individual skills and the amount of discretionary development budget.

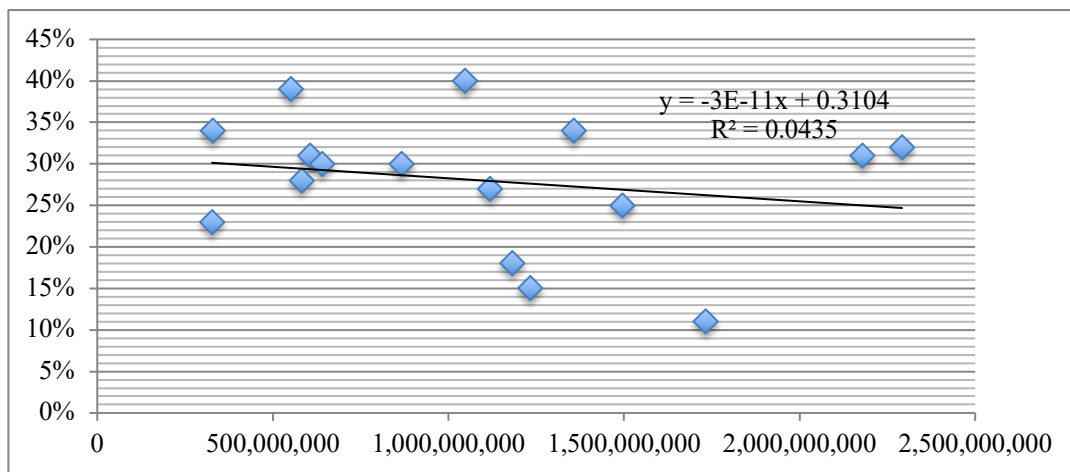


Figure 6.1: Individual Skills and Capacity Vs. Amount of Discretionary Development Budget

Institutional Capacity/Performance

Another aspect of administrative capacity refers to the organizational and institutional capacity of the Afghan local administrations in performing their core functions. As the Directorates of Economics are extensively involved in the planning and budgeting process, the assessment reflects only the institutional capacity of Directorates of Economics in performing their core functions. These functions include the development and coordination of PDP process, preparation and approval of the provincial monitoring and evaluation program (PMEP), conducting economic

evaluations of investments in the public and private sector (EPPS), and the preparation of the DoEc Annual Work Plan (AWP).

This assessment focuses on key internal and external service delivery outputs and outcomes required by local administrations. This assessment produces similar quantitative range that include 0 = Poor or “Non-Compliant”; 1= Basic or “Partially Non-Compliant”; 2= Satisfactory or “Fully-Compliant”; and 3= Good or “Above the Standard.” Table 6.3 compares the institutional capacity of the four cases studies in this dissertation.

Table 6.3: Institutional and Performance Capacity

Province	Institutional Capacity Score	Institutional Capacity Rating	Provincial Point Score
Balkh	2	Satisfactory	4
Kandahar	1.7	Satisfactory	3
Parwan	1.2	Basic	2
Takhar	0.5	Poor or Non-Compliant	1

Source: ISLA-USAID Report 2019

Similar to the Skills Evaluation Metric (SEM), the results of assessment on the institutional capacity of the four Directorates of Economics from the four case studies show a different ranking among the local administrations. Balkh province that has received the lowest amount of discretionary development budget is ranking the highest in terms of institutional capacity. In the same vein, the other three local administrations (Kandahar, Parwan, and Takhar), which have respectively received higher amount of discretionary development budget, rank lower than Balkh province regarding their institutional capacity. The assessment of institutional capacity of the local administrations in performing their core functions show that the decision-making on the amount of allocation of discretionary development budget does not rely on the institutional capacity of the local administrations.

The data from the 16 of 34 local administrations of which institutional capacity has been assessed by ISLA-USAID show a similar trend such that the local administrations with higher institutional capacity have received lower amount of discretionary development budget compared to the local administrations with lower score of institutional capacity. Figure 6.2 is evident for such a trend. As apparent,

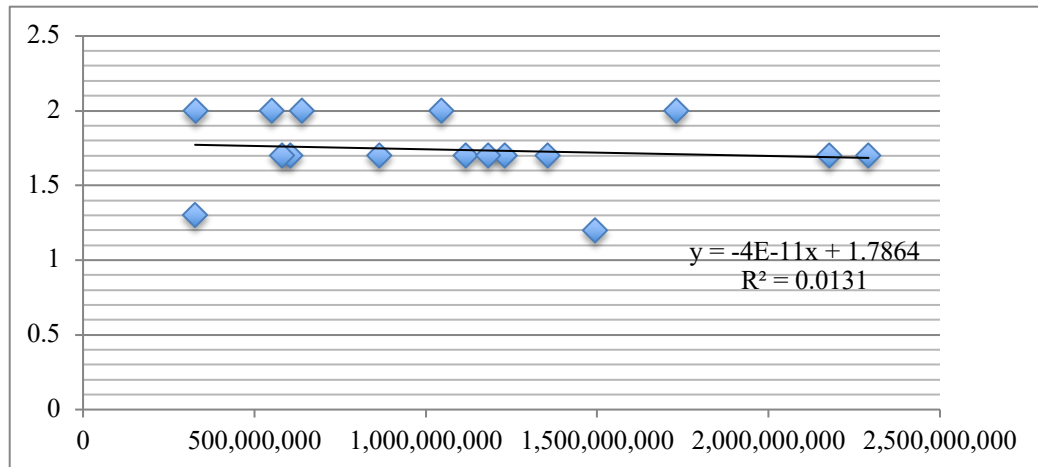


Figure 6.2: Institutional Performance Vs. Amount of Discretionary Development Budget

Plan Quality

In addition to the above two indicators explaining the level of skills and knowledge and institutional capacity to perform planning and budgeting functions, it is important to consider the performance of the local administrations in producing high quality development plans as another aspect of administrative capacity. As explained in the preceding chapter, the local administrations engagement in the planning process result in producing a “PDP” that identifies, prioritizes, and proposes the local needs to the central government.

Although all the local administrations have been able to produce a PDP, there are significant differences in the quality of the PDPs among these local administrations. However, these PDPs are assessed and scored based on two main indicators of quality of gender analysis discussion and the quality of development plan discussion. With regard to the gender analysis

discussion, the PDPs are scored based on three main questions of (1) whether PDPs mention the number of jobs created for women by all projects in the PDP; (2) whether PDPs mention the number of direct beneficiaries who are women; and (3) whether PDPs mention the level of consultation with women and how the projects will contribute to gender equality. The answers to these questions vary between yes and no that represent (1) and (0) respectively.

Likewise, the quality of development plan discussion is assessed based on level of details about certain development sectors. Such quality of discussion ranges between 4 representing very detailed and 0 representing not mentioned. Accordingly, the report calculates the mean scores of the two categories, highlighted above, that fall into rating groups of 25% or less representing poor quality; 26%-50% as fair; 51%-75% good; and 76% and more as excellent. Table 6.4 shows the result of plan quality assessment from FY 1397.

Table 6 4: The Plan Quality Assessment FY1397

Provinces	Percentage of Plan Quality	Category	Provincial Point Score
Balkh	67%	Good	4
Kandahar	61%	Good	3
Takhar	43%	Fair	2
Parwan	39%	Fair	1

Source: ISLA-USAID Report 2017

The result of plan quality assessment from the last fiscal year demonstrate a different ranking among the four local administrations compared to their ranking of the amount of discretionary development budget they have received. For instance, Balkh province that has ranked the highest among the four local administrations in producing high quality development plans has received the lowest amount of discretionary development budget in the fiscal year of 1397. Kandahar that has ranked second in terms of plan quality in the last year has received the highest amount of discretionary development budget. This scenario is observable with regard to Parwan

and Takhar as well such that Parwan that has ranked fourth has received the second highest amount of discretionary development budget while Takhar that has ranked third for plan quality has received the third highest amount of discretionary development budget in the last fiscal year.

However, the data suggest that there is no association between high score of plan quality and the amount of discretionary development budget allocated to the Afghan local administrations. At the same time, a simple comparison between the amounts of discretionary development budget and scores of plan quality from the last fiscal year show that the provinces with lower scores in plan quality have received higher amount of discretionary development budget compared to those, which have received higher scores of plan quality.

A similar trend is noticeable among all the Afghan local administrations. Figure 6.3 provides data from the Fiscal Year 1397 (2017-2018) that clearly shows no association between the score of plan quality and the ultimate amount of discretionary development budget. As an example, Nimroz that has scored 0% in terms of plan quality has received one of the ten highest amounts of discretionary development budget. Such an amount almost exceeds the amount of discretionary development budget that Balkh and Nangarhar—that have respectively scored 67% and 55% in plan quality—have received.

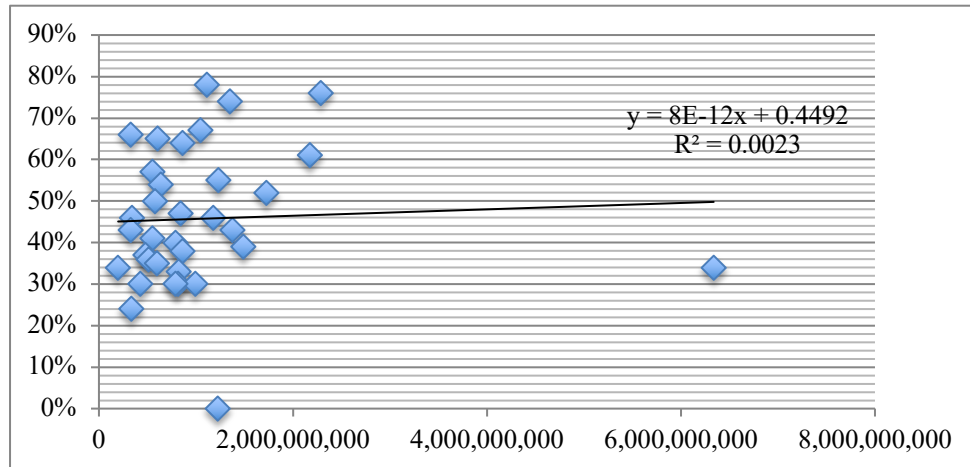


Figure 6.3: Plan Quality Vs. Amount of Discretionary Development Budget

6.1.2. Socio-economic Conditions

In addition to administrative capacity, the literature highlights socio-economic conditions as another factor that may influence the decision-making on the allocation of public funds or intergovernmental transfers. These factors can elaborate on certain characteristics of the public funds recipients that include fiscal capacity, economic development, social development, and social cohesion. Although a comprehensive operationalization of these factors can definitely provide a clear vision about the local realities for the allocation of public funds, there is severe lack of data for most of these factors in the case of Afghanistan.

While there are data on some of these factors, the data do not present sufficient detail required for the purpose of this dissertation that focuses on provincial level. It means that the sources present data on national level while the local data are quite non-existent or incomplete for all the provinces. Given the focus of this dissertation, such a national level data is useless for the purpose of this dissertation. Therefore, I reflect only on two aspects of socio-economic conditions that include fiscal capacity and social indicators for which I could collect sufficient data. These factors may explain the decision-making on the allocation of discretionary development budget

among the Afghan local administrations and specifically among the four case studies in this dissertation.

Fiscal Capacity

In examining the socio-economic conditions of a given country or local government, the fiscal characteristics are fundamentally important. As far as allocation of public funds or intergovernmental transfers is involved, the fiscal characteristics can help to guide the decision-making process. The fiscal capacity, in this context, refers to three main indicators of revenue contribution, expending needs, and expending capacity. The literature suggests the hypothesis that the higher the fiscal capacity, the higher the amount of public funds allocation may be in order to meet the demands and efforts, in this case, of the local governments.

Revenue Contribution

The revenue contribution constitutes the first indicator of fiscal capacity factor that determine one of the aspects of socio-economic conditions in Afghanistan. Although Afghanistan is greatly dependent on external sources to fund its ordinary and development budget, the domestic revenue has been supporting almost half of the funding need for Afghanistan's discretionary budget. The discretionary budget is also known as "on-budget" that means the Afghan central government has full control and discretion over it. However, the domestic revenue is the sum of six different sources that come from the 34 provinces in Afghanistan. These sources include domestic tax revenue, customs duties and fees, non-tax revenue, miscellaneous revenue, sales of non-current, and social contributions. The data from Afghanistan Financial Management Information System (AFMIS) provide the annual report on the revenue coming from the 34 provinces that are accordingly reflected in the national budget. Table 6.5 details the total revenue contribution of the four cases studies that include the six sources mentioned above.

Table 6.5: Revenue Contribution of Afghan Provinces in FY 1397

Provinces	Total Provincial Revenue Contribution	Discretionary Development Budget FY 1397	Provincial Point Score
Balkh	14,141,519,543.80	1,045,815,667	4
Kandahar	7,286,352,539.00	2,178,175,413	3
Parwan	428,217,137.00	1,493,902,231	2
Takhar	371,321,178.00	1,375,741,355	1

Source: Afghanistan Financial Management Information System (AFMIS)

Table 6.5 provides a clear picture of the level of revenue contribution and the ultimate amount of discretionary development budget allocated to the four case studies. Again, as it was the case with the indicators of administrative capacity, Balkh province, which contributes the highest amount of revenue to the central government among the four case studies, has received the lowest amount of discretionary development budget. In the same vein, the three other provinces, which have contributed so much less than Balkh province, have received the highest amount of discretionary development budget from the central government. This proves that there is an association between the revenue contribution and the amount of discretionary development budget among the four local administrations. This means that revenue contribution has no influence over the decision-making on the allocation of discretionary development budget in Afghanistan.

A similar trend exists among the other local administrations with regard to the revenue contribution and the amount of discretionary development budget they have received. This trend reiterates the lack of association between the revenue contribution and the amount of discretionary development budget. As such, Figure 6.4 is quite illustrative.

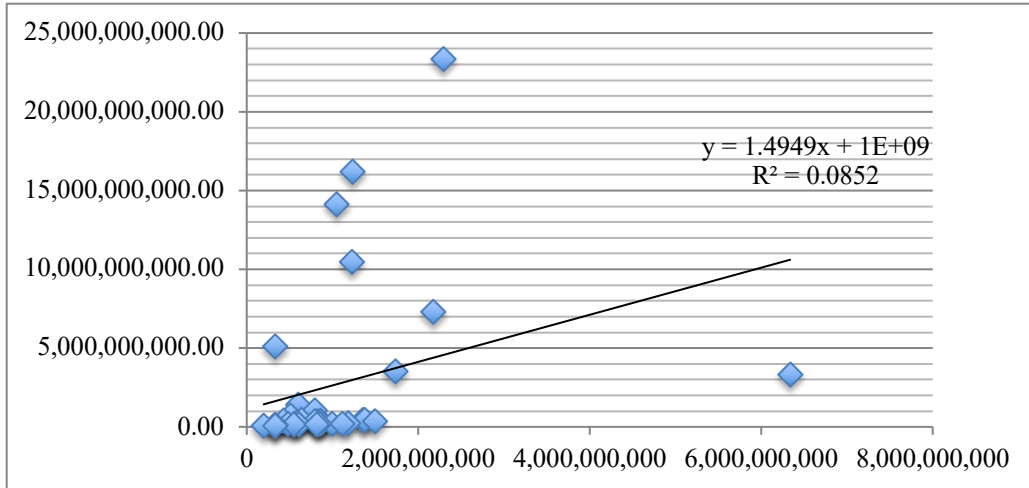


Figure 6.4: Revenue Contribution Vs. Amount of Discretionary Development Budget

Spending Needs

The second indicator for determining fiscal capacity is spending needs. The spending needs of the Afghan local administrations can be traced from their annual provincial development plans. In this regard, there are data on both the number of development projects and the amount of these projects. Table 6.6 demonstrates the spending needs of the four local administrations.

Table 6.6: Spending Needs of the four Afghan Local Administrations

Province	# of PDP Projects Proposed	# of PDP Projects Budgeted in NB	Provincial Point Score
Balkh	135	12	4
Kandahar	110	8	3
Parwan	115	25	2
Takhar	158	6	1

Source: ISLA-USAID Reports 2017 and Provincial Development Plans

Given the uncertainty about the development budget ceiling for the local administrations, it is noticeable that the four provinces have proposed huge number and amount of development projects to the central government. It is also noticeable that very small numbers of these projects have been budgeted through the annual national budget. Given the high spending need among the

four local administrations, it is safe to argue that the needs are not met fairly by the central government allocation of discretionary development budget.

For instance, Parwan, which has proposed the third highest number of development projects to the central government, has had 25 of its development projects budgeted through the national budget while this number represents the highest number of development projects budgeted among the four local administrations. Or Takhar, which has proposed the highest number of needs in terms of development projects, has received the second lowest amount of development budget and the lowest number of development projects budgeted in the national budget. Therefore, it is safe to argue that the spending needs are also not a consideration in decision-making on the allocation of discretionary development budget among the four local administrations.

An overall picture of spending needs of the Afghan local administrations shows a similar trend such that there is a mismatch between the spending needs of the local administrations and the ultimate amount of discretionary development budget. This shows that the central government does not rely on the spending needs of the local administrations during the allocation decision-making process. Figure 6.5 illustrates such an argument.

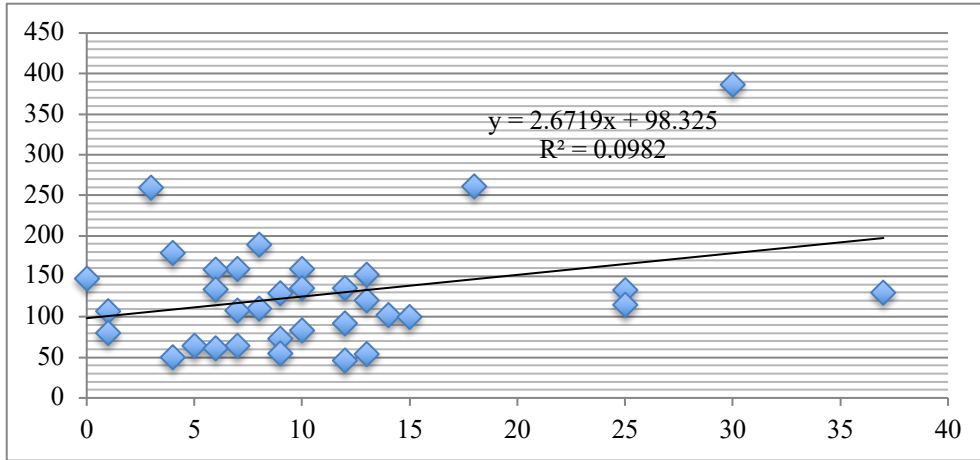


Figure 6.5: Number of Proposed Projects Vs. Number of Budgeted Projects

Spending Capacity

The third indicator to measure fiscal capacity of the four local administrations is spending capacity. It is a common practice among the primary budgetary units in Afghanistan to consider the expenditure capacity of the Afghan local administrations during the budget allocation stage. Table 6.7 presents the percentage of development budget expenditure by the four local administrations.

Table 6.7: Development Budget Expenditure from the FY 1397

Province	Expenditure Percentage in FY 1397	Provincial Point Score
Balkh	95%	4
Kandahar	93%	3
Parwan	94%	2
Takhar	91%	1

Source: 1397 National Budget

Table 6.7 shows that the percentages of the expenditures do not associate with the amounts of discretionary development budget among the four case studies. In this regard, Balkh province, which has the highest percentage of the expenditure, has received the lowest amount of discretionary development budget. This is while Balkh province has the highest score of

administrative capacity indicators as well. As such, Kandahar that has scored the second highest expenditure rate has been received the highest amount of discretionary development budget. However, Parwan and Takhar with the third and fourth lowest expenditure have received the second and third highest amount of discretionary development budget during the last fiscal year. Figure 6.6 provides an overall picture of the level of expenditure among all the Afghan local administrations.

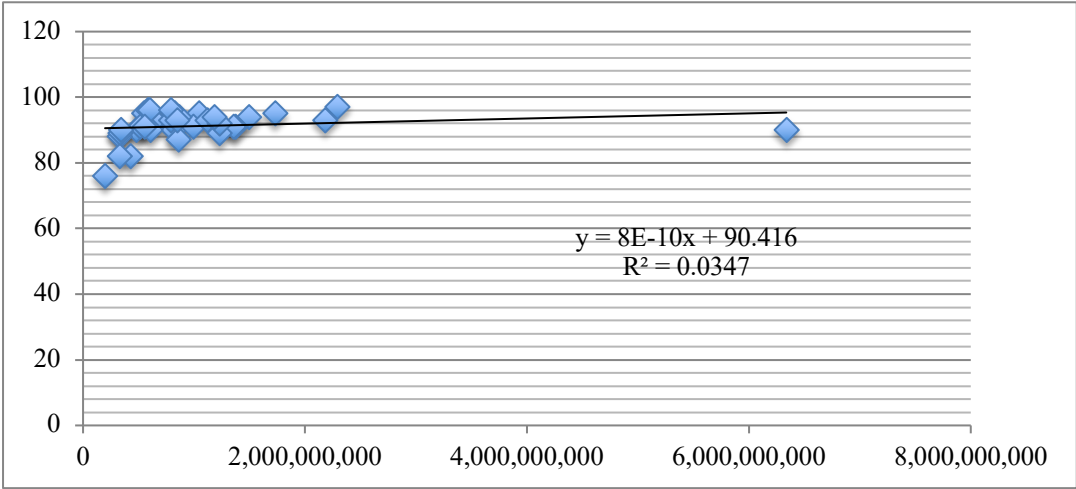


Figure 6.6: Percentage of Budget Expenditure Vs. Amount of Discretionary Development Budget

Social Indicators

Another set of indicators that can characterize the socio-economic conditions of the Afghan local administrations refers to the social indicators. Given the limitation of data, I operationalize the social indicators into two indicators of per capita of development budget and area. These two indicators can greatly indicate the degree of equity achievable through the allocation of discretionary development budget.

Per Capita of Discretionary Development Budget

Given the concentration of budget allocation authority to the central government, the per capita analysis of the allocation requires attention. The per capita analysis examines the amount of

discretionary development budget that the local population deserves from the public resources. Such analysis makes more sense because the Afghan local administrations do not have authority to use the local revenues. Table 6.8 depicts both the amount of development budget that the Afghan local administrations deserve to receive from the central government and the actual allocation of discretionary development budget.

Table 6.8: A Depiction of Population, Standard Development Budget Per Capita, Deserving Development Budget, and the Actual Allocation

Province	Population	Standard Dev Budget Per Capita	Deserving Dev Budget	Actual Dev Budget Allocated	Per Capita/ Allocated Dev Budget	Provincial Point Score
Kandahar	1,279,520	1,270	1,624,990,400	2,178,175,413	1,702	4
Balkh	1,382,155	1,270	1,755,336,850	1,045,815,667	756.66	3
Takhar	1,017,575	1,270	1,292,320,250	1,375,741,355	1,351.98	2
Parwan	687,243	1,270	872,798,610	1,493,902,231	2,173	1

Source: Afghanistan Statistics Organization Website and 1397 National Budget

A simple calculation of per capita of discretionary development budget (total discretionary development budget/total population) equals 1,270 AFA. Accordingly, Table 6.14 shows no association between the number of population and the amount of discretionary development budget that in turn represent the amount of per capita. This means that the provinces with higher population have received lower than the standard per capita amount that is 1,270. For instance, Balkh province that has the biggest population received the lowest amount of discretionary development budget that in turn represent the lowest amount of per capita. Conversely, Parwan that has the smallest population has received the highest amount of development budget if calculated based on per capita. Therefore, it is safe to argue that the size of population does not matter for the central government in deciding the amount of discretionary development for the Afghan local administrations.

Figure 6.7 provides an overall picture comparing the number of populations in each local administration and the ultimate amount of discretionary development budget. As such, Figure 6.7 shows that there is a positive correlation between population and the amount of discretionary development budget allocated to the Afghan local administrations. This is so while such correlation is negative if considered among the four case studies of this dissertation.

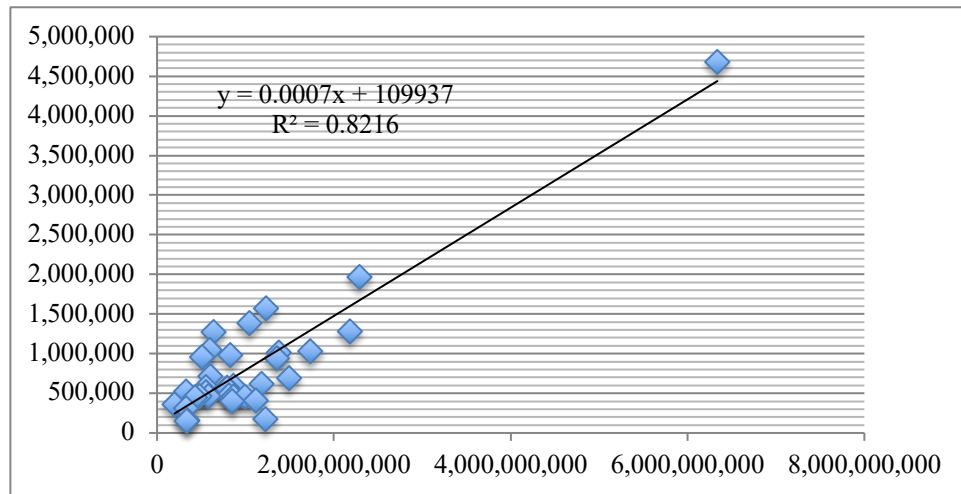


Figure 6.7: Population Vs. Amount of Discretionary Development Budget

Area

The second social indicator relates to the size of area of the Afghan local administrations. The size of area indicates the needs of the Afghan local administrations for infrastructure that includes buildings, roads, hospitals, schools, water and power supplies . . .etc. Table 6.9 depicts the sizes of area of the four case studies.

Table 6.9: A Comparison between Size of Area and the Allocated Development Budget

Province	Size of Area	Allocated Development Budget	Provincial Point Score
Kandahar	20,858 mi ²	2,178,175,413	4
Balkh	6,250 mi ²	1,045,815,667	3
Takhar	4,762 mi ²	1,375,741,355	2
Parwan	2,307 mi ²	1,493,902,231	1

Source: Afghanistan Statistics Organization and 1397 National Budget

Table 6.9 shows no association between the size of area and the actual allocation of discretionary development budget. Except Kandahar that has received the highest amount of discretionary development budget with the biggest size of area among the four case studies, the other three provinces do not show a positive correlation between their size of area and the amount of the allocated discretionary development budget. For instance, Balkh with second biggest size of area has received the lowest amount of discretionary development budget while Parwan with the smallest size of area has received the second highest discretionary development budget. This scenario is observable in the case of Takhar province as well. Therefore, Table 6.16 shows that the size of area also is not counted as a consideration for the allocation of discretionary development budget among the four cases studies.

A similar trend exists among all the Afghan local administrations. Figure 6.8 depicts the size of area of all local administrations versus the ultimate amount of discretionary development budget. Figure 6.8 shows that the local administrations with bigger area size have received lower amount of discretionary development budget.

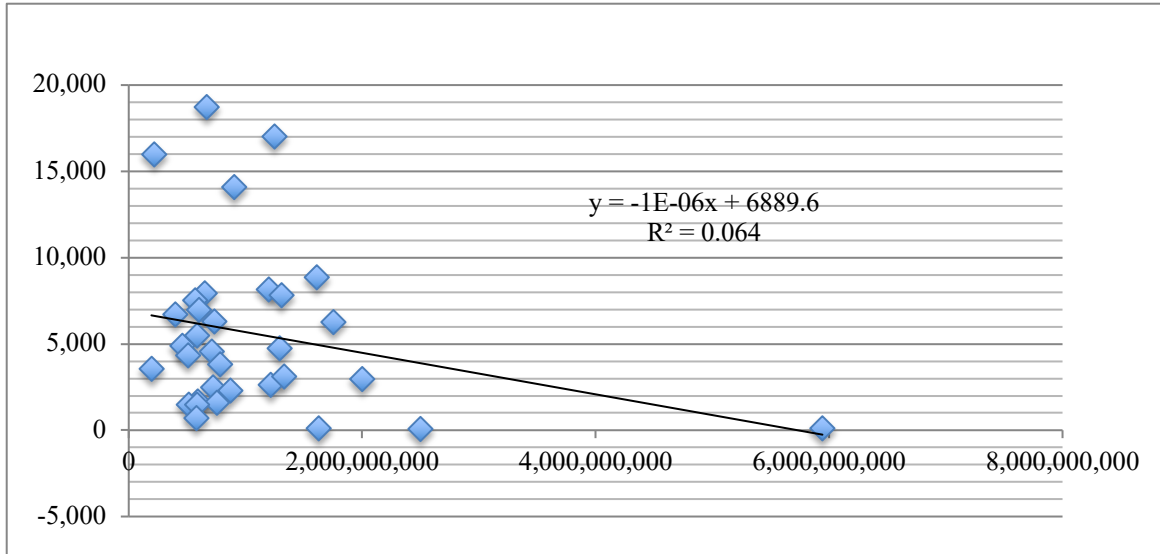


Figure 6.8: The Size of Area Vs. Amount of Discretionary Development Budget

6.2. CONCLUSION

In this chapter, I examined the potential characteristics, for instance, administrative capacity and socio-economic conditions, that may explain how the discretionary development budget is allocated. For administrative capacity, I examined three indicators of individual skills, institutional performance, and plan quality. For socio-economic conditions, I measured two categories of indicators: first, fiscal capacity that include three indicators of revenue conditions, spending needs, and spending capacity; and second, social indicators that consist of population and area. The data showed that none of these indicators are associated with the ultimate amount of development budget that the central government has allocated to the Afghan local administrations.

In this regard, Table 6.10 depicts weak or no association between the two potential factors of administrative capacity and socio-economic conditions and the ultimate amount of discretionary development budget. The data showed that population is the only indicator that suggests a relatively positive association.

Table 6.10: Correlation Coefficient Scores of Administrative Capacity and Socio-Economic Indicators

Indicator	R² Score
Individual Capacity and Skills	0.04351
Institutional/Performance Capacity	0.01311
Plan Quality (FY1397)	0.00235
Provincial Revenue Contribution	0.08516
Development Spending Need	0.09816
Development Budget Expenditure	0.03473
Spending Need/Per Capita	0.082164
Spending Need/Size of Area	0.06405

In the same line, the overall data for the four case studies of this dissertation show no positive association between the two potential factors and the amount of discretionary development budget allocated by the central government. Table 6.11 illustrates such an argument.

Table 6.11: Summed Scores of Indicators of Administrative Capacity and Socio-Economic Conditions

Table	Indicator	Balkh	Kandahar	Parwan	Takhar
6.2	Individual Capacity and Skills	4	3	2	1
6.4	Institutional/Performance Capacity	4	3	2	1
6.6	Plan Quality (FY1397)	4	3	1	2
6.8	Provincial Revenue Contribution	4	3	2	1
6.710	Development Spending Need	4	3	2	1
6.12	Development Budget Expenditure	4	3	2	1
6.14	Spending Need/Per Capita	3	4	1	2
6.116	Spending Need/Size of Area	3	4	1	2
	Total	30	26	13	11

Table 6.11 shows the total scores that the four case studies have received with respect to the eight indicators of administrative capacity and socio-economic conditions. If compared with the ultimate amount of discretionary development budget allocated to the four case studies, it is noticeable that the provinces with lower scores have received higher amount of discretionary development budget. In other words, the ranking of four case studies with respect to the eight

indicators do not represent the same ranking of allocation of discretionary development budget.

Table 6.12 is quite helpful to show that.

Table 6.12: A Comparison between Summed Score of Admin Capacity and Socio-economic conditions with the Amount of Discretionary Development Budget

Provinces	Summed Score Administrative Capacity and Socio-economic Conditions	Provincial Point Score	Amount of Development Budget	Provincial Point Score
Balkh	30	4	1,045,815,667	1
Kandahar	26	3	2,178,175,413	4
Parwan	13	2	1,493,902,231	3
Takhar	11	1	1,375,741,355	2

As of now, I have conducted two levels of analysis in order to understand how the Afghan central government allocates discretionary development budget. I first evaluated the performance of PDPG and PBP to understand whether the budget allocation is participatory, predictable, transparent, and equitable. According to the data and analysis presented in Chapter Five, it became evident that the Afghan central government has not achieved its intended outcomes—improved local participation and allocative efficiency—from the implementation of PDPG and PBP. This in turn suggests that the formal planning and budgeting process under PDPG and PBP are not the basis of decision-making over the allocation of discretionary development budget.

However, I undertook another level of analysis in this chapter. This time, I examined if the Afghan central government has considered specific administrative capacity and socio-economic characteristics for allocating discretionary development budget. I mainly focused on whether there is an association between eight indicators of administrative capacity and socio-economic conditions and the ultimate amount of discretionary development budget allocated. Again, the data suggested otherwise. That said, I now turn to the final possible explanation for how the Afghan

central government has allocated discretionary development budget among all Afghan local administrations in general and the four case studies in particular.

CHAPTER SEVEN: INFORMAL MECHANISMS UNDERLYING THE ALLOCATION OF DISCRETIONARY DEVELOPMENT BUDGET IN AFGHANISTAN

In this chapter, I undertake the final level of analysis to derive an explanation for the way the Afghan government has allocated discretionary development budget. I argue that there is an informal mechanism underlying the allocation of discretionary development budget in Afghanistan that pertains two main aspects. The first refers to the political considerations of the Afghan central government for the allocation of discretionary development budget; and the second includes the lobbying strategies that the Afghan local actors adopt in order to receive discretionary development budget from the central government.

As such, the structure of this chapter is as follows. First, I explore the existing hypotheses in the literature of the second generation of fiscal federalism and examine their applicability in the case of Afghanistan. Secondly, I introduce four patterns that depict the informal mechanism for the allocation of discretionary development budget in Afghanistan. Finally, I apply the four patterns on the four case studies of this dissertation.

It is mentionable that I apply these four patterns on the allocation of discretionary development budget during the last four fiscal years in Afghanistan. In terms of data, I extensively rely on qualitative evidence drawn from in-depth interviews with more than 50 central and local officials, MPs, and ISLA-USAID advisors.

7.1 THE EXISTING HYPOTHESES EXPLAINING THE ALLOCATION OF INTERGOVERNMENTAL TRANSFERS AND THEIR APPLICABILITY IN THE CASE OF AFGHANISTAN

In explaining the political factors influencing the allocation of intergovernmental transfers, the literature focuses on two aspects: first, the political considerations of the central government

for the allocation of intergovernmental transfers; and second, the lobbying strategies of the local actors to receive intergovernmental transfers. In this section, accordingly, I elaborate on the hypotheses explaining these two aspects and examine the applicability of these hypotheses in the case of Afghanistan.

7.1.1. The Hypotheses on the Political Considerations of the Central Government and their Applicability in Afghanistan

In explaining the political factors influencing the allocation of intergovernmental transfers, the central governments officials—specifically, the president, the minister of finance and other ministers—constitute the first set of actors involved. In this regard, the literature of the second generation of fiscal federalism has produced numerous studies highlighting the strategic allocation of intergovernmental transfers—known as “pork barrel politics.” This strand of literature shows how the central governments allocate intergovernmental transfers to enhance their political and economic interests that appear in the form of efforts for reelection (Balla, Lawrence, Maltzman, and Sigelman, 2002; Mayhew, 1974; Stein and Bickers, 1994; Stokes, 2009).

The literature of the second generation of fiscal federalism introduces different hypotheses regarding the political considerations of the central governments for the allocation of intergovernmental transfers. As such, the first hypothesis relates to the central governments’ efforts to allocate intergovernmental transfers to areas of loyal supporters for reelection. In this regard, the scholarships from Case and Schady are quite illustrative. Case studies the case of Albania and finds a “positive, significant, and robust relationship” between the level of political support for the incumbent party—the Democratic Party in this case—from the communes and the ultimate amount of intergovernmental transfers received by them (Case, 2001). Likewise, Schady examines the case of Peru and the method of funding through FONCODES that is a social funding

program to improve employment rates and access to social services and alleviate poverty. Schady shows that the funds are disproportionately allocated to the provinces in which Fujimori's party had lost electoral support (Schady, 2000). There are similar studies reiterating the same mobilization incentives behind the allocation of intergovernmental transfers (Levitt and Snyder, 1995; Ansolabehere and Snyder 2003).

The second hypothesis states that the central governments tactically allocate intergovernmental transfers to jurisdiction where the incumbent expects a close electoral contest and the votes of which are important to win. For instance, Dahlberg and Johansson provide evidence in support of central government use of intergovernmental transfers for the swing jurisdictions. Dahlberg and Johansson examine how the Swedish central government used intergovernmental transfers to win the votes from specific swing municipalities (Dahlberg and Johansson, 2002).

In addition to considering core and swing jurisdictions, there are several studies that highlight how central governments consider characteristics of local governments in deciding the allocation of intergovernmental transfers. These characteristics include party affiliation and political representation. The former refers to if the local and central government belong to the same party and the latter emphasizes the degree of local representation in the legislative chambers. The party affiliation and political representation hypotheses form the supply-side approach in explaining the political considerations of the central government for allocating intergovernmental transfers. Therefore, studies have found that the alignment of the local governments with the central governments in terms of party affiliation affects the amount of intergovernmental transfers to be allocated (Dasgupta et al., 2001; Khemani, 2003; Arulampalam et al., 2009; Brollo and Nannicini, 2012; Sole-Olle and Sorri-bas-Navarro, 2008; Veiga and Pinho, 2007).

Likewise, the literature suggests the demand-side approach as well that specifically refers to the central government's evaluation of the strength and weakness of the local governments to pressurize the central government regarding the allocation of intergovernmental transfers (León-Alfonso, 2007).

However, the above hypotheses—except the demand-side approach—on the use of intergovernmental transfers do not explain the political considerations of the Afghan central government for the allocation of intergovernmental transfers. In the rest of this section, I show how the existing hypotheses for the allocation of intergovernmental transfers are not applicable in the case of Afghanistan.

First, the hypotheses on the allocation of intergovernmental transfers to local governments for mobilization and conversion purposes may possibly make sense in each and every context. If one looks at the contexts in which the mobilization and conversion hypotheses are tested, two important points are noticeable: first that the contexts represent consolidated democracies with highly disciplined parties; and second that the contexts have the capacity to provide sufficient and reliable data to reveal the effect of mobilization and conversion incentives for the allocation of intergovernmental transfers. While the first point would not prevent political scientist to examine the effect of mobilization and conversion incentives in a conflict-affected and fragile state like Afghanistan, the second point is quite a big problem that is difficult, if not impossible, to deal with. As such, this dissertation does not consider testing the mobilization and conversion hypotheses in the allocation of intergovernmental transfers in Afghanistan.

Second, the supply-side approach that includes the political representation and party affiliation also does not apply in the case of Afghanistan. Regarding the political representation, the hypothesis provides that the more a local government is represented in the national assembly,

the more say and influence that local government should have in terms of receiving discretionary development budget. A simple comparison between the number of MPs and the amount of discretionary development budget allocated in Afghanistan shows that the political representation hypothesis does not explain the allocation of discretionary development budget. For instance, the four case studies of this dissertation—Kandahar, Parwan, Takhar, and Balkh—shows the inapplicability of political representation hypothesis. Table 7.1 shows that the higher number of MPs does not have anything to do with the amount of discretionary development budget.

Table 7.1: A Comparison between the Number of MPs and the Amount of Discretionary Development Budget

Province	Number of MPs	Amount of Discretionary Development Budget
Kandahar	11	2,178,175,413
Parwan	6	1,493,902,231
Takhar	8	1,375,741,355
Balkh	11	1,045,815,667

Source: Wolesi Jirga Website and 1397 National Budget

As evident in Table 7.1, the provinces with smaller number of MPs have received higher amount of discretionary development budget compared to those provinces with bigger number of MPs. This suggests that the number of representatives is not associated with the higher or lower amount of discretionary development budget to be allocated.

Another aspect of supply-side approach to explain the political consideration of central government for the allocation of intergovernmental transfers is party affiliation. Again, the case of Afghanistan does not support the hypothesis that the central government allocate discretionary development budget to local administrations based on party affiliation. This is so because the central governments—better to say, the presidents—do not primarily represent a specific political party in Afghanistan. Although the presidents have consistently been independent candidates in the presidential elections, they have selected their vice presidents from other political parties.

However, the vice presidents, by themselves, cannot establish the case for the allocation of discretionary development budget based on party affiliation. Table 7.2 depicts the party affiliation of presidents and vice presidents during the last three presidential terms.

Table 7.2: Party Affiliation of Presidents and Vice Presidents in Afghanistan

First Presidential Term		Second Presidential Term		Third Presidential Term	
Position/Name	Party	Position/Name	Party	Position/Name	Party
President/Karzai	No Party	President/Karzai	No Party	President/Ghani	No Party
1 st VP/Ahmad Zia Masood	Jamiat	1 st VP/Qasim Fahim	Jamiat	1 st VP/Dostum	Jonbesh
2 nd VP/Karim Khalili	Wahdat	2 nd VP/Karim Khalili	Wahdat	2 nd VP/Sarwar Danesh	Wahdat

Source: Afghanistan Elections Data Website

Table 7.2 demonstrates the fragmentation of politics at the executive level. Given the inclusion and diversity of the political parties at the executive level, the central government does not represent a specific political party. This, by itself, makes it difficult to assume that party affiliation constitutes the primary political consideration for the central government for the allocation of discretionary development budget.

7.1.2. The Hypotheses on the Lobbying Strategies of the Local Actors and their Applicability in Afghanistan

While the first aspect of informal mechanism for the allocation of discretionary development budget focuses on the political considerations of the central government, the second aspect of the informal mechanism concentrates on the lobbying strategies of the local actors. In this section, I specifically explain how the local actors adopt different lobbying strategies vis-à-vis the central government to achieve discretionary development budget from the central government.

Generally speaking, the local actors may influence the decision-making over the allocation of intergovernmental transfers through either formal venues or informal ones, which are termed as intergovernmental lobbying (Cammisa, 1995; Haider, 1974; Loftis and Kettler, 2015; Kjaergaard,

2016). Although the literature of intergovernmental lobbying provides some studies on how local actors influence the decision-making over the allocation of intergovernmental transfers by the central governments (Blom-Hansen, 2002; Cammisa, 1995; Cigler, 1994; Haider, 1974), only a few of them have sought to explain how local actors lobby for intergovernmental transfers. For instance, Loftis and Kettler study how U.S. cities spend money on individual lobbyist in order to gain more intergovernmental transfers. While focusing on the amount of money spent, this study fails to unpack the specific lobbying strategies by local actors (Loftis and Kettler, 2015). Likewise, Freeman and Nownes suggest some strategies that local actors use, but they do not link these strategies to intergovernmental transfers (Freeman and Nownes, 1999).

However, only one recent study by Kjaergaard “Politics and Intergovernmental Grants,” provides specific lobbying strategies that local actors adopt regarding the intergovernmental transfers in the multiparty system of Denmark (Kjaergaard, 2016). Specifically, Kjaergaard categorizes the local actors’ lobbying strategies considering two dimensions of “intensity of strategy” and “mode of strategy” (Kjaergaard, 2016). According to Kjaergaard, the intensity of strategy refers to how actively or passively the local actors lobby and the mode of strategy consists of the individual and collective aspects of lobbying strategies by the local actors. (Kjaergaard, 2016) Kjaergaard goes further and combine the mode and intensity of strategy in a two-by-two table arguing that the local actors can be either active or passive while using the individual or collective lobbying strategy.

Table 7.3: Conceptual Framework of Local Actors’ Lobbying Strategies

		Mode of Strategy	
		Collective	Individual
Intensity of Strategy	Active	Active/Collective Strategy	Active/Individual Strategy
	Passive	Passive/Collective Strategy	Passive/Individual Strategy

Source: Adapted from Kjaergaard, 2016

According to Kjaergaard, there are four possible lobbying strategies that the local government may adopt in order to achieve intergovernmental transfers. The first one is active collective strategy through which the local governments seek to lobby through the local government organization for the interest of the local government. In contrast, the passive collective strategy suggests the local government does not actively lobby through the local government organization and instead relies on “established local government organizations to safeguard its interests” (Kjaergaard, 2016: 41).

Likewise, the local governments may use active individual strategy or passive individual strategy. Under the former, the local governments directly and actively lobby the central government for intergovernmental transfers (Kjaergaard, 2016: 42). It is mentionable that the active individual can take two forms: “lobby[ing] alone and bear[ing] all cost or seek coalition partners with whom to share the cost of lobbying” (Kjaergaard, 2016: 42). Under the latter, the local governments are not directly and actively lobbying for intergovernmental transfers, but instead they hope that other local governments do the lobbying for them (Kjaergaard, 2016: 42-43).

While the active individual and passive individual aspect of Kjaergaard’s conceptual framework is applicable in the case of Afghanistan, the active collective and passive collective aspect needs to be revisited in the case of Afghanistan. Although the active collective and passive collective lobbying strategies completely make sense in consolidated democracies with disciplined political parties and participatory governance in which the local actors either participate in or influence on allocation decision-making process in one way or another, the definition of these two aspects needs to be justified to the case of Afghanistan given the different and unique institutional and political setting in Afghanistan.

The main reason for justifying the active collective and passive collective lobbying strategies relate to the severe fragmentation in Afghanistan political system, especially in the lower house of parliament. As Afghanistan has adopted and implemented the Single Non-Transferable Voting System (SNTV) for the last three parliamentary elections, the elected parliaments have consistently presented a fragmented collection of MPs.

The SNTV has numerous negative effects on democratic governance that include, but are not limited to, discouraging party formation and discipline, negatively affecting democracy by lowering the percentage of representation, wasting the votes, and ultimately fragmentation of the parliament. With respect to the failure of the SNTV to encourage party formation and discipline in the Afghan parliament, a survey, conducted with 176 MPs including 121 from lower house and 55 from upper house, shows that the majority of the MPs do not identify themselves with a political party (A Survey of the Afghan Parliament, 2012: 27). They are either not a party member or if they are, they just do not identify themselves with certain political parties.

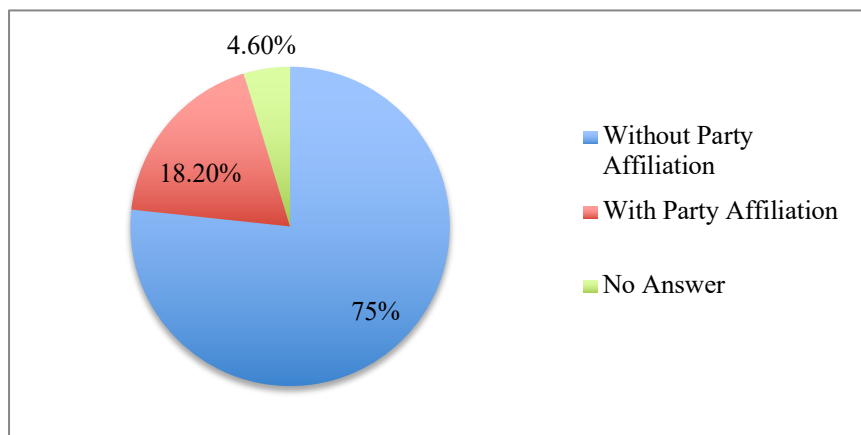


Figure 7.1: The Ratio of Party Affiliation in Afghanistan Parliament. Adapted from A Survey of Afghan Parliament 2012

Likewise, the Afghanistan Election Data from the last three parliamentary elections depict the negative impact of SNTV on democracy in Afghanistan. The data show that the MPs represent a very low percentage of their provinces primarily because of the electoral system that Afghanistan

has adopted. Table 7.4 presents data on the result of parliamentary elections for the four case studies.

Table 7.4: The Lowest and Highest Percentage of Votes to Win Parliamentary Seats among the Four Case Studies

Province	First Parliamentary Elections		Second Parliamentary Elections		Third Parliamentary Elections	
	Lowest % to Win	Highest % to Win	Lowest % to Win	Highest % to Win	Lowest % to Win	Highest % to Win
Kandahar	0.83%	8.25%	0.83%	7.5%	1.1%	4.6%
Balkh	5.48%	0.72%	1.1	7.7%	1.6%	9%
Parwan	10.49%	3.83%	1.4%	15.1%	3.4%	17.1
Takhar	6.15%	1.07%	1.81%	5.2%	2.8%	7.9%

Source: Afghanistan Elections Data

The data from the last three parliamentary elections show that the highest votes winning candidates have not even reached 20% of the votes from their provinces. Under such an unrepresentative parliament, the MPs mostly tend to lobby, if any, for incorporating development budget for a very small constituency.

With such a parliament of which members represent a very low percentage of their provinces and no party affiliation and discipline, it is far from expectation that the MPs cooperate with their fellow MPs from the same province or with MPs from other provinces. These suggest that the active collective and passive collective strategies in the case of Afghanistan take the following form: the MPs may initiate collective lobbying within their provinces; and very rarely beyond their provinces. Unlike the consolidated democracies, examined by Kjaergaard, there is no local organization to collective lobby for discretionary development budget in Afghanistan, but instead there are some rare instances in which the MPs lobby on some regional development projects collectively.

7.2 THE INFORMAL MECHANISM UNDERLYING THE ALLOCATION OF DISCRETIONARY DEVELOPMENT BUDGET IN AFGHANISTAN

In the preceding sections, I explained the prevailing hypotheses and their applicability in the case of Afghanistan. While the hypotheses regarding political considerations for central governments—except the demand-side approach—proved inapplicable in the case of Afghanistan, the existing conceptual framework in the literature regarding the lobbying strategies of local actors appeared to be applicable and testable in the case of Afghanistan with some justification and modification.

In this section, I introduce the informal mechanism underlying the allocation of discretionary development budget in the case of Afghanistan. This informal mechanism has two aspects: first, the political considerations of the Afghan central government for allocating discretionary development budget; and second, the lobbying strategies of the Afghan local actors for receiving discretionary development budget from the central government.

7.2.1. The Political Considerations of Afghan Central Government for Allocating Discretionary Development Budget

Relying on qualitative evidence drawn from in-depth interviews with central and local officials, MPs, and ISLA-USAID advisors, the political considerations of the Afghan central government depict a unique model—political affiliation model—for the allocation of discretionary development budget. The following explains how the political affiliation model emerges, identifies its elements, and discusses how it works in the case of Afghanistan. The political affiliation model comes into play because of the very nature of politics in Afghanistan and its key characteristics as a conflict-affected and fragile state. Specifically, the lack of political legitimacy requires the

Afghan central government to use the public funds, considering a set of political considerations, to gain political support and legitimacy to remain in power.

Given its weak capacity to provide security and public services; and its societal complexity due to cultural, ethnic, linguistic, and religious dividedness; Afghanistan has been consistently lacking political legitimacy at the eyes of the people. Such lack of political legitimacy derives from what David Lake characterizes as state builder's dilemma. According to Lake, what brings the state builders to undertake the high cost of state building in conflict-affected and fragile contexts is their interests in the future policies of the states being built (Lake, 2016). As such, the state builders take two important actions: centralizing governance and appointing their loyal politician as the head of state in the states being built. Because the loyal politician mostly proves not legitimate enough at the eyes of the people in the states being built, the state builder's dilemma occurs—the imbalance between legitimacy and loyalty to the state builder in conflict-affected and fragile countries (Lake, 2016).

With the consistent failure of the loyal politicians to maintain political legitimacy at the eyes of the people and the adoption of highly centralized institutional setting, including intergovernmental transfer arrangements, the loyal politician tends to use the public funds in order to gain political support and remain in power. In this regard, Lake argues “the state builders will channel their resources to their selected leader, who then divert those resources to his own, narrow political coalition with the acquiescence if not the active support of the state builder” (Lake, 2016: 12). In the same vein, the centralized institutional setting motivates the loyal politician to achieve only “minimum winning coalition” to remain in power, nothing more. According to William Riker, “In n-person, zero sum games, where side-payments are permitted, where players are rational, and where they have perfect information, only minimum winning coalitions occur” (Riker, 1962: 32).

Such a mechanism in and of itself negatively impacts the participatory and representative aspect of governance in conflict-affected and fragile countries that in turn undermines legitimacy.

In line with Lake and Riker, the context of Afghanistan depicts a set of political considerations that the Afghan central government adopts for the allocation of discretionary development budget primarily to gain political support and remain in power. These political considerations, elaborated on below, consist of three elements of political relationship, political importance, and an evaluation of strength and weakness of Afghan local administrations.

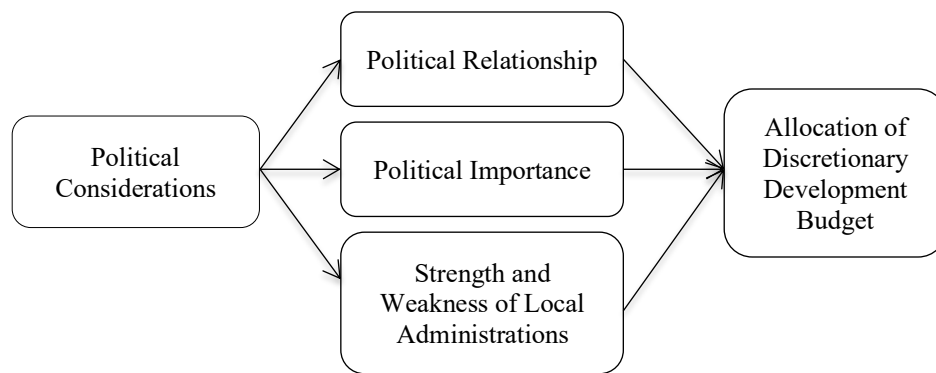


Figure 7.2: Political Affiliation Model: The Political Considerations of the Afghan Central Government for Allocating Discretionary Development Budget

How the political affiliation model works in the case of Afghanistan? The political affiliation model comes to play because the formal planning and budgeting procedure for the allocation of discretionary development budget do not provide any venue for the local actors to participate in the allocation decision-making process. According to the formal planning and budgeting processes, when the Afghan cabinet of ministers approves the draft budget, the cabinet has to send the draft budget to the National Assembly, the lower house, for final approval.

The practice shows that the lower house has repeatedly rejected the draft national budgets during the last eight years. It is mentionable that the lower house has rejected four of these draft national budgets twice. According to the formal budgeting rules, the lower house has the authority

to reject the draft national budget. As such, the budget committee should share the MPs' concerns and proposal for the amendment of the national budget. However, if both lower house and the central government stick to the rules, it would take a long time to incorporate the MPs concerns and proposals into the national budget and approve the national budget.

That said, given the highly centralized institutional setting—including the allocation mechanism of discretionary development budget—influenced by the nature of state building in Afghanistan, an informal procedure begins where the minister of finance starts to negotiate with the MPs individually or collectively. Such an informal negotiation opens the door for patronage game where the MPs would get the chance to incorporate their development projects into the national budget. In a patronage game, issues related to who is the patron, who are the clients, and how is the relationship between them are important to consider. When asked the interviewees about how the discretionary development budgets are allocated, they responded:

First of all, I should say that the provincial planning and budgeting does not help the local administrations. The only venue for the local administrations to have their projects funded by the central government is to directly negotiate and talk to the president, the minister of finance, or other ministers. This happens when the draft national budget comes to the Wolesi Jirga (the lower house of parliament) for final approval. The MPs reject the draft national budget so that they get the chance to incorporate their development projects.

An ISLA-USAID advisor described the planning and budgeting (formulation, allocation, and execution) as:

a very top-down system of planning and budget allocation. Although the planning process is a participatory one, which proposes and prioritizes the local needs to the central government, the ultimate budget does not match with the proposed provincial development plans. This is so because when the members of parliament start to negotiate with the minister of finance, they do not lobby for the development projects in the provincial development plans. The members of parliament have their own project and lobby for those rather than the ones in the provincial development plans. Therefore, the result is a mismatch between the development projects proposed by local administrations and the ultimate development projects funded by the central government.

In response to how political affiliation model happens, the local and central officials and MPs expressed the same sort of opinion. For instance, one local official described the informal negotiation between the minister of finance and the MPs as follows:

When the Wolesi Jirga rejects the draft national budget, the president gives the minister of finance the full authority to negotiate with the MPs and other local actors. I mention other local actors because sometimes the governors and tribal leaders negotiate with the minister of finance or the president. Accordingly, the minister of finance negotiates with the MPs and other local actors and accepts their development projects based on their influence or importance for the central government.

Political Relationship

The first element of political affiliation model is political relationship that primarily refers to the relationship between the local actors—governors and MPs—and the central government, specifically, the president, minister of finance, and other ministers. The political relationship also includes the political alignment of the local actors with the central government policies and political agenda.

Accordingly, the interviewees defined the first aspect of political affiliation model as political relationship between local actors (governors, MPs, and tribal leaders) and central government, specifically, the president, minister of finance, and other ministers. In an interview with a Balkh MP, when asked about how the development budget is allocated, he referred to the political relationship between the president and the governor. He specifically said,

Unfortunately, the central government allocate development budget based on political relationship. For instance, when Atta Mohammad Noor was the governor of Balkh, the ministries were welcoming the MPs from Balkh, but now that the president does not have a good relationship with our governor, the ministries do not even listen to our demands.

The Balkh MP went further and shared his experience for getting a development project that took him two years. According to him,

It took two years for this project (2km and some hundreds of meter roads in Shulgara, a district in Balkh province) to be included in the budget. I started discussing with ministry of public affairs and then when they ended up understanding that that ministry cannot fund this project, I shifted discussion with water and power ministry. This time I could convince the minister and the minister promised to include the project in its annual budget that happened so.

In the same vein, another Balkh MP described his perception of political relationship and referred to the important role and authority of the minister of finance. The MP said:

The other ministers do not have an important role in the incorporation of the local projects. Instead, the minister of finance is the number one person that has the authority to fund the development projects. When the draft national budget is rejected, the MPs start to negotiate with the minister of finance in order to convince him so that they can have their projects funded. Therefore, those who have better relationship with minister of finance can get more projects.

He specifically referred to the MPs from Kandahar, Parwan, and Takhar as the ones with good political relationship with the central government. To further define the political relationship element, an MP from Kandahar province described the reasons why Kandahar has got more development projects since Ghani has become president. According to him,

Ghani administration has worked better than Karzai. I have been able to incorporate more than 10 projects. However, there are three reasons why Kandahar has got more development budget: first, to win the hearts and minds of the people of Kandahar; second, compensating Karzai's failure to provide more budgets and attention; and third, to change the perception of the people about the government.

This MP's point of view reiterates the political importance of the Kandahar province based on which the central government has good political relationship with the MPs that represent the people.

Not only the political relationship between the governors and MPs with the president and minister of finance and other ministries can help, the special advisors to the president also can influence the allocation of discretionary development budget. In this regard, the head of economics department of Parwan province highlighted how the appointment of one of Parwan province's

MPs as the special advisor of the president has helped Parwan province to get more development budget. According to him,

It is very important to have someone in the central government close to the president because he helps you to be heard. Regarding the development budget, I can say that Haji Almas has played an important role. As he has good relationship with other Parwan's MPs and the president and the minister of finance, it is not far from expectation that he would lobby some projects on behalf of other MPs or some projects for his constituency.

Furthermore, the interviewees highlighted alignment of the local actors including governors and MPs with central government policies and political agenda as an important consideration by the minister of finance during negotiation for the incorporation of development projects in the national budget. In this regard, an MP from Balkh referred to his failure to incorporate the same number of projects in the national budget like the previous years because of the fact that his province generally did not favor central government policies or better to say did not count the president as the legitimate one. Specifically, the MPs said,

I have not been able to have my development projects funded this year because of the fact that my province did not vote for the president and has consistently challenged the president and the central government. Therefore, because the president and the minister of finance have full control over the budget allocation, it is difficult for us to have our development projects funded.

In an opposite example, the MPs from Parwan province appeared very satisfied from the central government. When asked about how they could have their development projects funded by the central government, they referred to the closeness, support, and alignment with the central government policies. Specifically, an MP from Parwan said,

Parwan has been able to get more development budget compared to some of the big provinces like Balkh because Parwan supports the central government through some prominent figures. Although the majority of Parwan did not vote for Ghani, the MPs aligned themselves with Ghani. This happened mutually as Ghani also gave some concessions to the MPs. For instance, Ghani appointed an MP from Parwan as his special advisor.

Overall, these interviews highlight how the political relationship and alignment with central government policies and political agendas work as the political considerations of the Afghan central government for the allocation of discretionary development budget. Accordingly, the degree of such political affiliations suggests an association between the inclinations of the central government to specific provinces and the allocation the discretionary development budget.

Political Importance

The second element of political affiliation model for the allocation of discretionary development budget relates to the political importance of the Afghan local administrations to the central government. Given the consistent failure of the Afghan central government to maintain political legitimacy at the eyes of the majority of the people, the central government consistently endeavors to gain political support from the localities through the allocation of discretionary development budget.

According to the interviews with MPs, local officials, and ISLA-USAID advisors, political importance can be measured by the degree of political support and electoral advantage that the central government can gain from a given province through the allocation of discretionary development budget. In this regard, an ISLA-USAID advisor said,

Because the president and the minister of finance represent the only source for approval of discretionary development budget, all the local actors including governors, MPs, and tribal leaders refer to them. Such an exclusive allocation mechanism gives the president and the minister of finance a great opportunity to play the give and take game. As such, the president and the minister of finance evaluate the amount of political advantage that they can gain from allocating discretionary development budget to one governor or MP rather than the other.

The lack of transparency and accountability in the allocation of discretionary budget has created a great vacuum for political games in which the central government, the president and the minister of finance, has the exclusive control.

When asked about the main criteria for the allocation of discretionary development budget, both the central and local officials, while enlisting some factors like local needs and capacity, highlighted the role of politics in the allocation of discretionary development budget. For instance, A local official from Balkh province expressed his opinion, out of disappointment, that

Although we implement the central government's policies properly, develop high quality plans, create clearly defined budget for the development projects, and contribute greatly to the national revenue, our province receives very low amount of discretionary development budget. The budget does not match our need and they are also not the ones that we had proposed in our provincial development plans. I think spending needs and spending capacity are not the main criteria for the allocation of development budget, but instead political considerations are involved. For instance, the central government allocates more budgets to Kandahar because it is politically important for the president.

Likewise, another ISLA-USAID advisor described the rationale behind the allocation of discretionary development budget as influenced by political considerations of the central government. According to him,

The central government distributes the development budget considering the fact that who can provide political support for it when it is needed. For instance, the president consistently needs to have support from different ethnic groups so the president always tries to keep such leaders satisfied in one way or another. This can happen through giving development budget or appointment to high positions.

In another interview, a minister of the National Unity Government confirmed the role of political support consideration in the allocation of discretionary development budget. The minister that was appointed by the chief executive, not the president, said,

The minister of finance has exclusive authority in the distribution of development budget. In most of the cases, the minister of finance does not accept our projects. In the meanwhile, I can notice that other ministers, appointed by the president, have an easier time to have their ministry related projects funded.

Overall and consistent with the second element of the political affiliation model, the interviews show that the Afghan central government considers the political importance of the local administrations in allocation of discretionary development budget. This suggests an association

between the political importance of the Afghan local administrations and the amount of discretionary development budget that they receive. Specifically, the amounts of discretionary development budget, received by the four case studies in this dissertation, show the order of political importance of the local administrations.

Strength and Weakness of the Afghan Local Administrations

The third element of political affiliation model is an evaluation, by the Afghan central government, of the strength and weakness of the local administrations for pressurizing the central government for achieving discretionary development budget. The strength and weakness here do not indicate the administrative or socio-economic strength or weakness of the local administrations.

Afghanistan's formal planning and processes present a top-down budget allocation mechanism in which the central government—the president, the minister of finance, and other ministers—has exclusive authority and responsibility. Under such a mechanism, the Afghan central government, in addition to considering the political relationship and political importance, evaluates the strength and weakness of the local actors based on which local actor with what characteristics have the capacity to successfully exert pressure on the central government for achieving discretionary development budget.

The interviews with local officials, MPs, and ISLA-USAID advisors suggest that the Afghan central government measures the strength and weakness of the local actors, specially the governors and MPs, based on their affiliation to certain ethnic, linguistic, religious groups, and/or political parties. The interviewees also highlighted the importance of being former Jihadi commander, belonging to former Jihadi commander, or being a member of Jihadi political party. The interviewees refer to these characteristics as the points of consideration when the minister of

finance starts the informal negotiation with the MPs. In such an informal negotiation setting, whoever that shows more strength to pressurize the central government for achieving discretionary development would get more discretionary development budget.

When asked about the specifics of the negotiation process between the minister of finance and the MPS, an ISLA-USAID advisor highlighted the political lobbying strengths of the MPs as the main consideration of the minister of finance for approving development projects.

The allocation of discretionary development budget is very top-down in Afghanistan. The central government, specially the minister of finance and the president, has the full authority over the allocation. In terms of who gets or deserves the budget, the minister of finance, during the negotiation process, evaluates the political strength of the MPs that means whether the MPs are major warlords, whether they have the support of major warlords behind them, or if the MPs represent major ethnic, linguistic, or religious groups.

In another interview, a local official commented on how the central government allocates the discretionary development budget. He highlighted the significant role of warlords on minister of finance in terms of incorporating provincial projects in the national budget. According to the local official,

The MPs with military background or belonging to major warlords have great success in terms of incorporating their development projects in the national budget during the negotiation between the minister of finance and the MPs. The reason I highlight the MPs with military background is that I have observed the MPs from my province. Those who have been Jihadi commander and belong to major Jihadi and political parties have been more successful compared to ones who run independent.

When asked about the main criteria for the allocation of discretionary development budget during the negotiation between the minister of finance and MPs, another ISLA-USAID advisor said:

During the negotiation, all the MPs have certain number of projects to be funded by the central government, but not all of them can be accepted and funded by the central government. There are even development projects that get included in the national budget but never get the funding to be implemented. From my experience,

I can definitely say that the minister of finance looks at who proposes the development projects and whether he has to approve it or not. There are certain MPs from certain provinces that the minister of finance cannot reject. The regional provinces like Kandahar, Balkh, Jalalabad, Herat are among those provinces of which MPs have significant influence over the minister of finance. It is mentionable that if the minister of finance assumes an MP important but cannot include his project in the national budget, the minister of finance promises him to find funding for the proposed project in one way or another.

While these interviews show an association between the strength of local administrations and the allocation of discretionary development budget, there are instances in which the central government ignores or does not consider the incorporation of the development projects from certain provinces based on ethnic reasons. In this regard, an MP from Ghazni province expressed his disappointment as:

Unfortunately, the development budget is not allocated equitably among the provinces. The central government distributes the development budget based on ethnic and political considerations. For instance, Ghazni has more than one million populations but it has received less amount of development budget than Nimroz that has less than 200,000 populations. There are many more provinces that have received more development budget than Ghazni. The minister of finance does not treat the MPs equally as he favors the MPs from specific ethnic groups differently. Also, the MPs like me that run as independent cannot influence over the minister of finance.

These interviews show how the third element of the political affiliation model works in the case of Afghanistan. Specifically, the interviews suggest an association between the central government analysis of the strength and weakness of the local actors and the allocation of discretionary development budget.

Overall, the three elements of political affiliation model—political relationship, political importance, and an evaluation of the strength and weakness of local actors—highlight the political considerations of the Afghan central government for the allocation of discretionary development budget. In line with the key characteristics of Afghanistan as a conflict-affected and fragile state that consistently fail to maintain political legitimacy because of state builder's dilemma, the

political affiliation model showed how the central government strategically and tactically allocate discretionary development budget for the sole purpose of gaining political support to remain in power.

7.2.2. The Lobbying Strategies of the Afghan Local Actors for Receiving Discretionary Development Budget

The literature in this area provides few studies examining the specific lobbying strategies of the local actors. However, Kjaergaard's conceptual framework provides a testable and relevant conceptual framework to explore the specific lobbying strategies of the local actors. Accordingly, this dissertation adapts Kjaergaard's conceptual framework, with some justification and modification, in order to explain how the Afghan local actors lobby for receiving discretionary development budget.

Kjaergaard's conceptual framework specifically examines two sets of lobbying strategies derived from the combination of mode of strategy and intensity of strategy. The two sets include: first, active individual and passive individual; and second, active collective and passive collective. However, while the active individual and passive individual set is testable and relevant for the case of Afghanistan, the active collective and passive collective—defined as the reliance on local government organizations to conduct collective lobbying on behalf of other local governments—needs to be redefined. As such, this dissertation suggests that the active collective and passive collective strategies in the case of Afghanistan take the following form: the MPs may initiate collective lobbying within their provinces and very rarely beyond their provinces.

7.2.3. The Specific Patterns Explaining the Allocation of Discretionary Development Budget in Afghanistan

In the preceding two sections, I elaborated on the two aspects of informal mechanisms underlying the allocation of discretionary development budget in Afghanistan. The political considerations aspect of the informal mechanism suggested a “political affiliation model” that consisted of three elements of political relationship, political importance, and strength and weakness of the local administrations to exert pressure on the central government. As such, the second aspect provided four specific lobbying strategies from the side of local actors in order to receive discretionary development budget in Afghanistan.

However, as the goal of this chapter is to explain how such informal mechanism works in the case of Afghanistan, there are four possible and relevant allocation patterns that can explain the allocation of discretionary development budget among the four case studies in this dissertation. These patterns are examined across the four case studies considering the allocation of discretionary development budget during the last four fiscal years. Table 7.5 depicts the allocation of discretionary development budget for the fiscal years 1394, 1395, 1396, and 1397. Although the national budget for the fiscal year 1398 is approved, this dissertation does not include that in this analysis because the national budget would be subject to significant changes throughout the fiscal year. It is mentionable that the first two fiscal years represent the amounts allocated before Ghani administration and not under the recently reformed planning and budgeting under PDPG and PBP.

Table 7.5: Allocation of Discretionary Development Budget During the Fiscal Years of 1395, 1396, and 1397 (2015-16, 2016-17, and 2017-18)

Discretionary Development Budget Allocation							
FY1394 (2014-15)		FY1395 (2015-16)		FY1396 (2016-17)		FY1397 (2-17-18)	
Province	Amount (\$)	Province	Amount (\$)	Province	Amount (\$)	Province	Amount (\$)
Kandahar	8,746,907	Kandahar	31,025,000	Kandahar	62,268,000	Kandahar	31,116,791
Balkh	3,533,141	Balkh	15,988,000	Balkh	25,729,000	Parwan	21,341,460
Takhar	503,742	Parwan	15,425,000	Parwan	21,657,000	Takhar	19,653,447
Parwan	37,514	Takhar	12,308,000	Takhar	14,162,000	Balkh	14,940,223

Source: National Budget from Fiscal Years 1395, 1395, and 1397.

Each pattern consists of three elements: the degree of political affiliation (political relationship, political importance, and strength and weakness), degree of active collective lobbying, and degree of active individual lobbying. Depending on the strength or weakness of political affiliation and the activeness or passiveness of lobbying strategies, one may come up with different patterns combining the three elements. However, I propose four patterns, listed below, that correspond the characteristics of the case studies in this dissertation. These four patterns are specific for the four case studies to be discussed in this chapter. However, to generalize these patterns over all Afghan provinces is the subject of a separate research project.

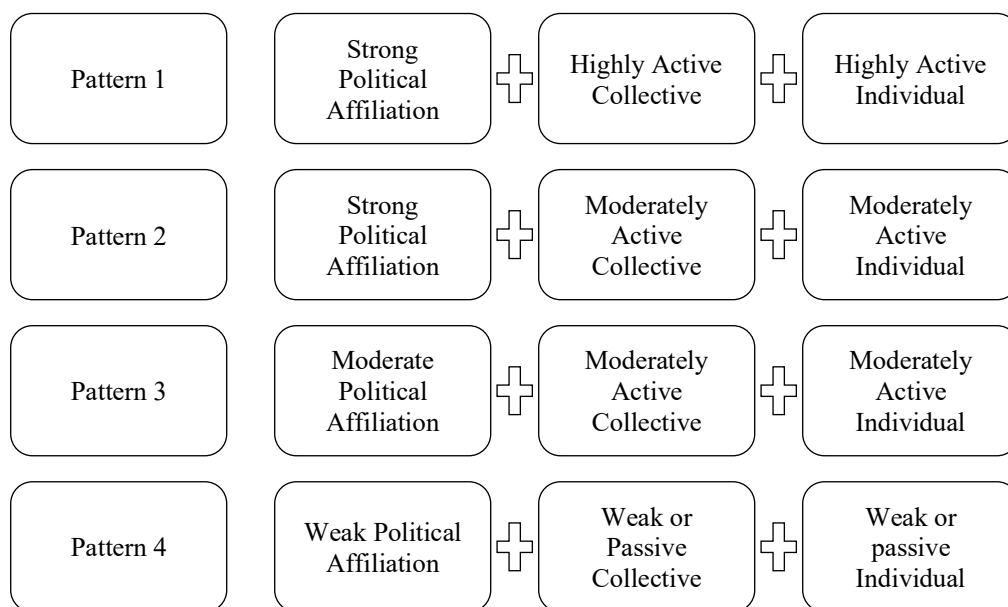


Figure 7.3: Allocation Patterns

Pattern 1: The first pattern refers to the provinces that can maintain high degree of political affiliation and actively lobby for discretionary development budget both individually and collectively.

Pattern 2: The second pattern represents provinces with strong political affiliation with the central government, but a relatively active degree of lobbying both individually and collectively.

Pattern 3: The third pattern is indicative of provinces with moderate degrees of political affiliation and lobbying strategies both collective and individual.

Pattern 4: The fourth pattern represents the provinces with weak political affiliation and weak or passive collective and individual lobbying strategies vis-à-vis the central government.

7.3. THE APPLICATION OF THE PATTERNS ON THE CASE STUDIES

Having elaborated on the two aspects of the informal mechanism underlying the allocation of discretionary development budget together with the four patterns, I now examine how these patterns and their elements work among the case studies of this dissertation. It is important to note

that this section examines the case studies considering the amount of discretionary development budget that they have received during the last four fiscal years. Given the change in the political leadership, the presidents' approach to governance and its impact on the institutional setting and the intergovernmental relationships (center vis-à-vis the locals), the four case studies have performed differently with regard to receiving discretionary development budget. It means that the new president has had different political considerations vis-à-vis certain provinces that in turn have affected the lobbying strategies of the Afghan local actors, in terms of their effectiveness, vis-à-vis the Afghan central government.

In this regard, the fiscal years of 1394 and 1395 represent Karzai's presidency during which the provinces have had different political relationship and lobbying strategies with the central government compared to the fiscal year 1395 and 1396 that represents Ghani's presidency during which some changes appeared in terms of political relationship of the central government with provinces and lobbying strategies of the local actors. Table 7.6 depicts the amount of discretionary development budget that the four provinces have received during the last four fiscal years.

7.3.1. Kandahar

The first case study is Kandahar province that fits under the first allocation pattern during the last four fiscal years. Kandahar has been receiving the highest amount of discretionary development budget during the last four first fiscal years from the Afghan central government. This is so because Kandahar has been able to satisfy the three elements of first pattern that consist of high degree of political affiliation with the central government, highly active collective and individual lobbying strategies vis-à-vis the central government to receive discretionary development budget. This means that (1) the Afghan central government has had strong political affiliation with Kandahar; and (2) Kandahar's local actors—specifically, the governor and MPs—

have been adopting active collective and individual lobbying strategies to receive discretionary development budget from the central government.

Political Considerations of the Afghan Central Government vis-à-vis Kandahar

The political considerations of the Afghan central government vis-à-vis Kandahar for the allocation of discretionary development budget can be evaluated considering three indicators of political relationship, political importance, and strength and weakness of Kandahar local actors. Regarding the political relationship, Kandahar has always been important for the Afghan central government to have strong political relationship with. Such strong political relationship relates to the historical and consistent importance of Kandahar for the political stability and legitimacy of the Afghan central government. For instance, it is quite famous that whoever wants to rule Afghanistan should rule Kandahar.

The cotemporary history of Afghanistan is closely linked with Kandahar where the first Afghan kingdom was formed. Ahmad Shah was the first king of Afghanistan that made Kandahar the capital of Afghanistan that remained so until Timur Shah, the son of Ahmad Shah, transferred the capital from Kandahar to Kabul. As such, given the ethnic belonging of the early Afghan kings to Kandahar tribes and tribal leaders, Kandahar has been consistently important for the Afghan kings to maintain a strong and supportive political relationship to maintain political support and legitimacy.

Such strong political relationship has been of importance for the Afghan central government even after the new era of efforts for state building and development in Afghanistan since 2001. The post-2001 era also manifest the strong political relationship of the Afghan central government with Kandahar. After the fall of the Taliban regime, the two Afghan presidents, Karzai and Ghani, have been consistently trying to win the hearts and minds of Kandahar tribes and

leaders. Karzai was originally from Kandahar and has been able to maintain close relationship with the different tribes in Kandahar and influence the local politics through his brother who was, by then, the head of Kandahar provincial council. However, Ghani has also been maintaining such political relationship with Kandahar through political appointment and channeling public resources for the reconstruction and development projects to Kandahar. In this regard, a former MP commented on the political relationship of the Afghan central government with Kandahar.

According to him,

Kandahar is an important province for the Afghan central government. Given the weak political legitimacy of the presidents in Afghanistan, the presidents always need to maintain strong political relationship with local actors. Among the provinces, Kandahar is one of the most important ones such that it is believed that if the president has the support of Kandahar leaders, he would have an easy time governing Afghanistan. This was very evident during Karzai's presidency and now you can see that with Ghani's as well. The presidents make sure of such relationship through political appointment or channeling resources to these provinces to win their hearts and minds.

In another interview, an ISLA-USAID advisor commented on the political relationship of the Afghan central government with Kandahar. He specifically referred to how the central government ignores the capacity and needs of the local administrations and allocate the resources based on political considerations.

The budget allocation system is very centralized and the central government has the sole decision-making authority to allocate the development budgets. The central government does not really consider the capacity of the local administrations to make plans and expend the budget. There are certainly some political considerations. For instance, provinces like Kandahar and Parwan currently are important because the central government gain a lot of political support from them. Specially, these days that the president is involved in power struggle disputes with his political opponents, he needs to have the support of local influential figures from different provinces.

In addition to political relationship, Kandahar is of great political importance to the Afghan central government. Not only is Kandahar politically important for the Afghan central government

to gain political support and legitimacy to remain power, but Kandahar is also important for presidents to win the presidential elections. As elaborated, Kandahar has been historically a base for political legitimacy for the Afghan kings and presidents. For instance, the results of the last two presidential elections show that the winning candidates have got more votes from Kandahar to win the elections. Table 7.6 shows the huge difference in the number of votes that the winning candidates have got from Kandahar province.

Table 7.6: The Number of Votes the Presidential Candidates Have Received During the Last Two Presidential Elections

2009 Presidential Elections		2014 Presidential Elections	
Karzai	Abdullah	Ghani	Abdullah
221,436	9,289	268,946	51,186

Source: Afghanistan Election Data Website

As such, the presidential candidates that mostly come from Pashtun ethnic background extensively invest on the vote from Kandahar. Table 7.7 shows how important it is to mobilize the vote from Kandahar province in order to win the presidential elections. In addition to the data reflecting the political and electoral importance of Kandahar, the qualitative data drawn from in-depth interview also confirm the importance of Kandahar for the Afghan central government. In this regard, a local official from Balkh provinces commented on Kandahar and said:

Kandahar is one of the most important provinces during the elections period for the presidential candidates. Because the presidential candidates mostly appear to be of Pashtun ethnicity and Kandahar is almost 100% of Pashtun population, the presidential candidates invest hugely on the votes from Kandahar in order to win the elections. Accordingly, when they win the elections; they try to give it back to them through political appointment and allocation of development budgets and projects to the provinces. It is a give and take process.

An ISLA-USAID advisor confirmed the same point by highlighting the political importance of Kandahar for winning the elections, gaining political support and remaining in power. According to him,

Kandahar is important for the presidential candidates and the presidents because of two main factors. First, the presidential candidates need the votes from Kandahar because it is vital for their win in the elections. Without the support from Kandahar the presidential candidates cannot win the elections. And second, the presidents need the political support from Kandahar in order to push back the political pressure from their political opponents to gain political support and remain in power. Kandahar has the potential to provide such political support for the presidents.

The final indicator of political affiliation relates to the strength and weakness of the Afghan local actors. The Afghan central government (1) evaluates the strength and weakness of the local actors for the allocation of discretionary development budget; and (2) either consider such strength seriously or ignores it. The case of Kandahar shows that the central government has always taken Kandahar's strength seriously and has accordingly allocated one of the highest amounts of discretionary development budget to Kandahar compared to most of the provinces and in particular compared to the case studies in this dissertation. To support this argument, a member of lower house's budget committee described the central government evaluation of Kandahar as follows:

If you want to know which provinces have more strength to pressure the central government for receiving development budget, you need to observe the informal negotiation process that happens after the lower house rejects the draft national budget. The minister of finance negotiates with the MPs in different tones. If the MPs come from strong provinces, the minister of finance receives them with respect and honor while he ignores or postpones meeting MPs from weak provinces for later. However, Kandahar has always been considered and negotiated with every time Kandahar's MPs have approached the minister of finance.

In the same line, a ministry of finance official commented on Kandahar strong position vis-à-vis the central government and the minister of finance. He specifically pointed at how Kandahar's MPs and governor reach out the ministry of finance for having their development projects funded and how the minister of finance approves them. According to him,

As the budget allocation system is very top-down, the local actors including governors and MPs refer to the ministry of finance in order to receiving funding for their development projects. I personally observe local actors from different provinces, but only those considered as important and not possible to be rejected get funding from the central government. For instance, Kandahar is one of the

provinces that is always received well by different directorates of the ministry of finance.

Overall, the above three indicators of political relationship, political importance, and strength and weakness of local actors demonstrate the strong political considerations of the Afghan central government vis-à-vis Kandahar during the last four fiscal years. It was evident that the Afghan central government has a very positive political consideration vis-à-vis Kandahar, which has received the highest amount of discretionary development budget among the four case studies.

The Lobbying Strategies of Kandahar's Local Actors

In addition to strong political affiliation with the central government, the case of Kandahar also suggests that its local actors have been highly active in their collective and individual lobbying strategies vis-à-vis the Afghan central government. When asked about how Kandahar has received the highest amount of discretionary development budget, local officials, MPs, and ISLA-USAID advisors highlighted the lobbying strategies of the local actors in Kandahar. The interviewees specifically referred to the activeness and unity of the local actors—especially, the MPs—in terms of lobbying for achieving discretionary development budget. For instance, an ISLA-USAID advisor said,

The MPs of Kandahar have a unique approach in order to incorporate their development projects in the national budget. Firstly, they are very active and consistently follow up with the central government and the ministry of finance. Secondly, the MPs sometimes lobby for specific project together. I think this collective lobbying is very effective as it shows the MPs very strong and the central government cannot reject them. The interesting point about Kandahar MPs is that they have joint meeting with the governor and sometimes receive the copy of provincial development plans.

In another interview, an MP from Kandahar province, when asked about how active Kandahar MPs are and how often they meet for lobbying certain projects, said,

The budgeting system in Afghanistan requires the MPs and other local actors to be active; otherwise, it is very difficult to get any development projects. By active, I

mean that first, the MPs should know what their people need and want; and second, the MPs should follow up regularly with the respective authority whether the minister of finance or other relevant ministers. I personally have regular weekly and monthly meeting with tribal leaders from different districts. I collect their need and meet with different government officials to get the project that my people want.

Also, it is important to coordinate with other MPs from your province as well. For instance, I personally talk with other MPs in order to ask for their help if it is needed. There are also some projects that belong to some of the MPs' constituencies, so we decide to lobby together.

In addition to activeness and cooperation of the MPs with each other, the case of Kandahar shows that its governor has also been actively supporting the lobbying process. An official from ministry of finance described Kandahar as the most successful province in terms of lobbying strategies and establishing relationship with the central government. According to the ministry of finance official:

Regarding lobbying strategies, I should say Kandahar employs a different strategy that all other provinces. I have seen the MPs coming to the ministry of finance regularly to check with the minister and other related directorates for different development projects. What is unique about Kandahar is that the governor and MPs support each other in terms of lobbying.

Generally, the case of Kandahar, given its historical importance for the central government, demonstrates one of the most successful lobbying strategies in Afghanistan that has been consistently receiving high amounts of discretionary development budget during the last years. The key for the success of Kandahar's lobbying strategies relates to its active and collective approach to lobby the central government for achieving discretionary development budget.

However, the case of Kandahar also provides examples of active individual lobbying strategies that have helped Kandahar to receive the highest amount of discretionary development budget among the four case studies in this dissertation. Given the nature of MPs' job—representing local people lobbying for provincial development projects—and the existing centralized institutional setting in which the central government has exclusive authority in the allocation of

discretionary development budget, the MPs have to be active if they want to receive discretionary development budget for their constituencies.

Unlike the collective aspect of lobbying strategy, the individual aspect shows how the MPs' activeness to lobby the central government helps them receive discretionary development budget for provincial development projects during the last four fiscal years. As such, the interviews with ISLA-USAID advisors, local and central level officials, and MPs indicate a very active individual lobbying from Kandahar MPs. For instance, in an interview with an MP from Kandahar, the MP surprised me with his level of activeness. The interviewee was one of the most prominent MPs of Kandahar who has individually managed to incorporate forty-eight development projects in the national budget. More interestingly, the MP had the documentation that would allow him to track which projects are his in the national budget. When asked about how he has been able to do it, the MP said,

Generally, it is difficult to get funding for development projects. However, I have been trying to reach out the ministers and different organs of the government in order to make sure that the projects are included in the national budget. Sometimes, I have to talk to two or more ministers for one single project. Another reason is that the projects that I lobby for are urgently needed for my people and the province.

In another interview with an ISLA-USAID advisor, the advisor emphasized on the unique activeness of Kandahar MPs in lobbying for getting development projects from the central government. The advisor specifically said,

The MPs from Kandahar are quite active in lobbying the central government for receiving discretionary development budget. What they do is that they always have a list of development projects with them and consistently meet and follow up with different ministers, specially, the minister of finance. Because the budget allocation is very top-down and the central government has the exclusive allocation authority, those who lobby better can get more development budget from central government. The MPs from Kandahar show such a successful lobbying.

In the same line, a ministry of finance official commented on Kandahar's MPs and their lobbying strategies. The official shared his personal observation of how the MPs from Kandahar regularly visit the head of budget department and the minister of finance during the year. According to him,

The MPs from Kandahar are very active in lobbying the central government for specific development projects that they want to be included in the national budget. I personally observe the regular meetings of Kandahar's MPs with head of budget department and the minister of finance. The MPs actively follow up any promises made by the minister of finance and head of budget department.

Overall, the case of Kandahar demonstrates a highly successful performance in terms of receiving discretionary development budget from the Afghan central government. Although there was a change in the political leadership, the central government continued to maintain a strong political affiliation with Kandahar that in turned opened the lobbying space and opportunities for Kandahar's local actors in order to approach and lobby the Afghan central government to receive discretionary development budget.

7.3.2. Parwan

The second case study is Parwan province that has been alternating between the second and third model during the last four fiscal years. As noted already, the change in the political leadership has had significant effect on the president's approach to governance and political considerations for the allocation of discretionary development budget. This in turn has affected the effectiveness and incentives of Parwan's local actors in terms of lobbying the central government to receive discretionary development budget. This means that strong political affiliation with the central government opens the space and opportunity for the local actors to approach the central government more easily. Accordingly, Parwan has been able to receive the third highest amount

of discretionary development budget during the first three years (1394, 1395, 1396) and the second highest during the fiscal year of 1397.

Compared to Kandahar, Parwan has not been able to consistently satisfy the elements of the first allocation pattern during the last four fiscal years. Although Parwan has been relatively important for the Afghan central government during the first fiscal years, Parwan has been receiving strong political considerations during the last fiscal year.

Political Considerations of the Afghan Central Government vis-à-vis Parwan

To examine the political considerations of the Afghan central government vis-à-vis Parwan, three indicators of political relationship, political importance, and strength and weakness of Parwan local actors are important to consider. Regarding the political relationship, Parwan has been a relatively important province for the Afghan central government. While Kandahar is majority Pashtun, Parwan is majority Tajik. The Afghan social and political reality—severe ethnic, religious, and linguistic dividedness—iterates one single fact that the presidential candidates need to approach and mobilize more than one or two ethnic groups in order to win the presidential elections, gain legitimacy and political support, and ultimately remain in power.

As such, not only do the presidents pick their first vice president from Tajik ethnicity or other ethnic groups to win the elections, they consistently seek to appoint Tajik elite to high political positions to maintain political relationship to gain political support and legitimacy to remain in power. In this regard, Table 7.7 shows how the Afghan presidents have formed their presidential teams during the last presidential elections.

Table 7.7: The Ethnic Formation of the Winning Presidential Teams During the Last Three Presidential Elections

2004 Presidential Team		2009 Presidential Team		2014 Presidential Team	
Position	Ethnicity	Position	Ethnicity	Position	Ethnicity
President	Pashtun	President	Pashtun	President	Pashtun
First VP	Tajik	First VP	Tajik	First VP	Uzbek
Second VP	Hazara	Second VP	Hazara	Second VP	Hazara

Source: Afghanistan Election Data Website

In terms of appointing elites to high political positions, this section refers to two recent examples where Ghani appointed two Tajik elites as his special advisor. As it is evident in Table 7.8 Ghani’s presidential team is composed of three ethnic groups of Pashtun, Uzbek and Hazara. Unlike the presidential teams in the last two terms, Ghani was lacking a prominent Tajik figure in order to balance ethnic composition in his team. In doing so, Ghani appointed Ahmad Zia Masood, who was first vice president in the first presidential term, as his special advisor. This appeared to be a temporary position as Ghani deposed Ahmad Zia Masood after about one and half year. In a similar move, Ghani appointed one of Parwan’s MP—Haji Almas—as his special advisor primarily to maintain an ethnically balance composition in his administration. However, the reason that Parwan has not been able to maintain a strong political affiliation with the central government during Karzai’s presidency is that Karzai has been receiving sufficient support from other Tajik elites, for instance, his vice presidents. This means that Karzai has not been under the pressure to approach Parwan like Kandahar or Balkh during his presidency.

The Afghan presidents usually do many more of such political appointment during their terms. However, the current administration has appointed several Tajik elites from Parwan province that by itself indicates a strong political relationship with Parwan that in turn buys the central government political support and legitimacy to remain in power. Regarding how such

political appointment has helped the central government to maintain a strong political relationship with Parwan, an MP from Balkh said,

The budget allocation system is very top-down that gives the president and the minister of finance exclusive authority for the allocation of budget. In this situation, the MPs that have good relationship with the central government get more development projects funded by the central government. As the central government's relationship is not good with Balkh governor, we have had a hard time to negotiate with the central government regarding our development projects. Unlike Balkh, Parwan has a better relationship with the central government. Also, the appointment of some political figures as the president's special advisors greatly help Parwan's MPs for having their development projects funded.

In addition to political relationship, the central government also considers Parwan as politically important to gain political support and legitimacy. The recent political contention between Ghani and Abdullah and his allies on distribution of governmental positions and resources show how Ghani relied on political elites from Parwan, together with some other provinces, in order to resist the political pressure, gain political support, and govern more easily.

As mandated by the National Unity Government agreement, Ghani had to share power with Abdullah Abdullah, the Chief Executive. Ghani started to subordinate Abdullah and dominate power. Such a strategy angered Abdullah and his allies as they were losing power and authority by everyday passing that ultimately resulted in ongoing political contention between Ghani and Abdullah and his allies. In order to come out of this situation, Ghani, who had excluded some prominent Tajik figure supporting Abdullah, started to appoint some other Tajik political figure as his special advisors or other ministerial positions. As such, Ghani referred to former Jihadi and warlords from Parwan province. It appeared that Parwan and these figures were politically important for Ghani in order to gain political support to resist the pressure from his political opponents. However, Karzai was not under such political pressure from his political opponents because Karzai had a different governance approach—giving concessions to former Jihadi

commanders—that has helped him gain sufficient political support so that Karzai did not need to extensively focus on the political support from Parwan’s elites.

In order to show how the political appointments of Parwan’s Jihadi commanders have helped Parwan in terms of getting more development budget, an ISLA-USAID advisor said,

During the existing situation, Ghani desperately needs political support from different ethnic group in order to resist the political pressure from other groups. It seems like Parwan’s MPs are the ones Ghani has chosen. Haji Almas that is a former Jihadi commander and a current MP have been appointed as the special advisor of the president. Also, Ghani has appointed General Jorat as another advisor among the many that he has. These two figures have been helping other MPs in order to get their development projects funded. Specially, when the negotiation is going on between the minister of finance and the MPs, the MPs from Parwan use these advisors as the point of influence on the central government. However, Parwan was not this important during Karzai’s presidency. Certain Parwan’s MPs did not have such an extensive power and closeness to the central government.

In another interview, a member of lower house’s budget committee confirmed the political importance as a factor for the allocation of discretionary development budget by the Afghan central government. According to him,

With such a centralized budget allocation system, it is very difficult to argue that the budget allocation is transparent and equitable. Basically, when the lower house rejects the budget, the central government tries to have the budget approved as soon as possible. Therefore, they start to negotiate with the MPs and whoever has more power and influence would get more funding. The central government also considers who is important for it.

Finally, the central government evaluates the provinces in terms of their strength and weakness to pressurize the central government for receiving discretionary development budget. The performance and political position of Parwan suggest that the Afghan central government takes Parwan seriously and seeks to keep them pleased through the allocation of development budget. This makes more sense during Ghani’s administration while Karzai’s administration does not suggest a strong political affiliation with Parwan province. In this regard, an ISLA-USAID

advisor commented on how Parwan has been able to receive high amount of development budget from the central government. According to him,

Parwan is one of the most successful provinces in terms of receiving development budget. There are three main factors behind their success. First, the head of budget committee of the lower house is from Parwan that gives them a very strong position vis-à-vis the central government. As the minister of finance starts to negotiate with the MPs, the head of budget committee can make sure that the minister of finance gets what he wants. Second, Parwan has strong connection with the central government through the presidents' special advisors who are from Parwan. And finally, Parwan sits in a very important geopolitical location that is connected to several provinces.

All told, the case of Parwan represents two different patterns. Parwan has been alternating between the second and third allocation patterns during the last four fiscal years. This means that the Afghan central government has had a strong political consideration for Parwan during the fiscal year of 1397 and a moderate political consideration during the fiscal years of 1395 and 1396.

The Lobbying Strategies of Parwan's Local Actors

Despite the change in the political leadership and the president's approach to governance, the local actors of Parwan have been able to maintain a moderate level of active collective and individual lobbying strategies vis-à-vis the central government. The case of Parwan is important because Parwan's MPs have been actively engaged in the budgeting committee of the parliament's lower house. The central and local officials, MPs, and ISLA-USAID advisors emphasize on the active and cooperative lobbying strategy of local actors from Parwan. For instance, the deputy governor of Parwan province described his province's MPs as very active and cooperative with each other and with the governor. According to Parwan's deputy governor,

Generally, incorporating development projects in the national budget is difficult in Afghanistan because the system is very centralized. However, Parwan has been doing better than other provinces and I think it is because of the MPs' active role in lobbying their projects. Not only do the MPs work individually, they lobby together as well. I have noticed some instances in which the governor has been involved too.

The head of economics from Parwan province provided similar observation about the lobbying performance of MPs and the governor of Parwan province. In addition to confirming the activeness and cooperation of the MPs and the governor, the head of economics highlighted some specific factors for the success of Parwan to achieve high amount of discretionary development budget. According to him,

I think Parwan's MPs are very active and cooperative in getting development projects from the central government. It happens sometimes that the governor invites the MPs to the provincial governor office in order to discuss the development projects that are needed in the province. However, there are some specific reasons that Parwan gets more projects and discretionary development budget that include: (1) the head of Budget Committee in house of representative is from Parwan; (2) Parwan is important for the central government specially at times of elections, some signs of it is appointment of Haji Almas as senior advisor of the president; (3) appoint of Haji Almas has had some effects in head of DoEc as he does some more effective lobbying from there; (4) Parwan has relative security and is located in the intersection of eight provinces; (5) Parwan has some major and influential figures in both parliament and the budget committee.

Similarly, a ministry of finance official described the case of Parwan as one of the strong provinces in terms of its activeness and cooperation with each other to incorporate development projects in the national budget. The official specifically referred to the role of specific Parwan's MPs who exert great influence over the president and the minister of finance. According to the official,

Parwan province is a strong and important province at the eyes of the president and the minister of finance because of two reasons: first that one of Parwan's MP is the president's senior advisor and through him the other MPs can exert influence over the incorporation of specific projects; and second that the head of lower house's budget committee is from Parwan whose support is key for the minister of finance to have the draft national budget approved in the lower house. What is more important is that the Parwan's MPs have close relationship with each other and support each other.

Like its active collective lobbying strategies, Parwan shows an active individual manner of lobbying the central government for receiving discretionary development budget. The case of

Parwan also demonstrates another set of active MPs that individually lobby the central government to incorporate their provincial development projects in the national budget. The interviews with central and local officials, MPs, and ISLA-USAID advisors show that Parwan represents the second most active set of MPs in terms of lobbying.

As such, an ISLA-USAID advisor described Parwan MPs as active, cooperative, and united in terms of lobbying the central government for receiving discretionary development budget.

According to him,

Parwan is one of the most successful provinces in terms of lobbying the central government for development budget. Parwan has three main characteristics: being active, being cooperative, and being united. Parwan's six members of parliament are all active people that consistently meet the minister of finance and other ministries for their development projects. This activeness also comes from their important role in parliament's budget committee as one of Parwan's MP has been the head of budget committee for a long time. That MP is known as the father budget in the parliament. Further, Parwan's MPs are very cooperative with each other. Such cooperation helps them lobby better for their development projects. Finally, Parwan's MPs are very united and support each other on different issues including receiving development budget for provincial projects.

In addition to ISLA-USAID advisor's comment on Parwan's MPs, the MPs from the other provinces also praise the activeness of the MPs from Parwan province. In an interview with an MP from Ghazni province, the MP described Parwan's MPs, especially a few of them, as the most active MPs in the whole lower house of the national assembly. According to him,

The MPs from Parwan are the most active MPs in the parliament. I can refer to a few of them that I know personally. For instance, the head of budget committee is from Parwan who is engaged in the discussions about development projects belonging to all the provinces. He is in close relationship with the minister of finance when the negotiation with the MPs begins after the lower house rejects the draft national budget. It is not only him that is active the other MPs from Parwan are also very active as they follow up their development projects and they receive funding for them.

Yet, another MP from Uruzgan province provided similar comments about Parwan's MPs.

The MP who was a member of budget committee in the lower house described his experience as follows:

As a member of budget committee in the lower house of the national assembly, I observe all MPs from all provinces. To me, Parwan's MPs are among the most active ones in the lower house. The Parwan's MPs, together with the head of budget committee, actively follow up their development projects with the minister of finance and other ministers. The Parwan's MPs, some of them I know, have their regular meeting about development projects that help them keep track of their progress. More importantly, the Parwan MPs, especially, the head of budget committee, know the technicality of the draft national budget very well, unlike most of the MPs in the lower house.

All told, the case of Parwan demonstrates how actively and directly the local actors from Parwan lobby the central government, individually and collectively, in order to receive discretionary development budget. Their performance during the last four fiscal years show that they have been quite successful to have their development projects funded by the central government.

7.3.3. Takhar

The third case study is Takhar province that represents the fourth allocation pattern during the fiscal years of 1394, 1395 and 1396 and the third allocation pattern during the fiscal year of 1397.

Political Considerations of the Afghan Central Government vis-à-vis Takhar

The political affiliation that refers to the political considerations of the Afghan central government to allocate discretionary development budget consist of three indicators that are important to consider (1) the degree of political relationship; (2) the degree of political importance; and (3) the strength and weakness of local actors to pressurize the central government for discretionary development budget.

Regarding the political relationship, the central government has had a moderate political relationship with Takhar. While the central government does consistently seek to maintain a strong political relationship with Kandahar and Parwan through political appointment and channeling public resources, Takhar has not been a consistent favorite of the central government. The data from the fiscal years of 1394, 1395 and 1396 support such an argument. In this regard, the data on the allocation of discretionary development budget from the first three years (1394, 1395 and 196) show that Takhar has received the lowest amount among the four case studies. Likewise, the central government has not appointed political figures from Takhar to high political positions.

However, the current administration has maintained a better political relationship with Takhar in the sense that the central government has appointed a Takhar elite as the head of Independent Directorate of Local Governance (IDLG) and the Takhar's former governor as the senior security advisor to the president. With respect to how such political relationship has helped Takhar to receive higher amount of discretionary development budget compared to the last years, a member of budget committee said,

Takhar has been recently doing better in terms receiving development budget from the central government. The appointment of a Takhar elite as the head of Independent Directorate of Local Governance (IDLG) and the deputy head of budget committee has guaranteed Takhar a strong political relationship with the central government. As such, they have been able to connect with the ministers and the minister of finance better than before and that is why they are able to get their development projects get funded. However, it is not true for all the MPs as only a few of them have close relationship with the president's senior advisors and guys who are from Takhar.

In another interview, a ministry of finance official commented on the political relationship of Takhar MPs and the minister of finance. He specified that such close political relationship is limited to a few of Takhar's MPs. According to him,

Takhar is one of provinces of which MPs have close relationship with the minister of finance. Although Takhar's MPs did not have such close relationship, a few of

the MPs have got a better relationship. In terms of development projects, the head of IDLG is from Takhar, Takhar's MPs have proved successful in terms of influencing the central government for receiving more development projects.

In addition to political relationship, Takhar proved to be of great political importance for the central government. As Ghani has been in consistent political tension with Abdullah and his allies for the distribution of governmental position and resources, Ghani has been seeking support from some of the former Jihadi commanders from Takhar. One of these commanders—who is a member of parliament too—has mobilized and created a political movement supporting Ghani's policies and opposing the other Jihadi commanders. The central and local officials, MPs, and ISLA-USAID advisors have all confirmed about the effect of this political movement for the allocation of more discretionary development budget. In this regard, an ISLA USAID advisor said,

Currently, the president is under pressure from the side of those who are excluded from power and governmental positions. Ghani desperately needs the political support in order to resist the political pressure from his opponents. As such, the new political movement led by a Takhar's MP provides such support for the president. This creates a strong political relationship between Ghani and Takhar.

In the same line, an MP from Balkh commented on the recently formed political movement in support of Ghani and in opposition of Jihadi commanders. According to him,

As Jamiat party claims to represent the Jihadi commanders and opposes the central government, the new political movement, led by a Takhar's MP, represents a division among the Jihadi commanders that, if united, would have the potential to seriously challenge the central government. Such a division in fact weakens Jamiat party's position vis-à-vis the president. As such, it is extremely important for the president to support it. For all I know, the newly formed political party receives funding from the central government.

While the current central government has considered Takhar as an important province to gain political support, it has not been the case during the former president as he has been gaining the political support from other sources. However, the strong political relationship and political importance of Takhar, under the current president, has put Takhar in a strong position to pressurize

the central government for receiving discretionary development budget. The central government normally either approves or rejects the proposals of development projects proposed by the MPs during the negotiation process. However, the qualitative evidence drawn from in-depth interviews show that Takhar possess a moderately strong position and the central government mostly considers proposals from Takhar's MPs. In this regard, a ministry of finance official said,

During the negotiation process, I can notice how a few of Takhar's MPs successfully get their development projects approved. These MPs have a strong relationship with the central government and the MPs. As such, the minister of finance does both consider and ignore development projects proposed by Takhar's MPs. This means that the minister of finance evaluates the strength and weakness of the proposers.

Overall, while Takhar has not been considered as politically highly important for the former president and the central government, the data show that Takhar has become an important ally for the central government in order to resist the political pressure from the president's political opponents. This puts Takhar in a moderately strong political affiliation with the Afghan central government.

The Lobbying Strategies of Takhar's Local Actors

During the last four fiscal years, the lobbying strategies of Takhar's local actors alternate between moderately active and passive lobbying strategies individually and collectively. This means that Takhar's local actors have demonstrated a weak or passive collective and individual lobbying strategy vis-à-vis the Afghan central government during the fiscal years of 1394, 1395, and 1396 and a moderately active collective and individual during the fiscal year of 1397. It is mentionable that the change in the political leadership of the central government has had a direct effect on the lobbying strategies of Takhar's local actors—from passive collective and individual to moderately active collective and individual.

Similar to Kandahar and Parwan, the interviews with central and local officials, MPs, and ISLA-USAID advisors revealed the active collective lobbying strategies of Takhar local actors. In this regard, a ministry of finance official, when asked about the lobbying strategies of Takhar's local actors, emphasized on the activeness of Takhar MPs for incorporating their development projects in the national budget. According to the official,

Although Takhar's MPs have not been so active and engaging with lobbying the central government, they have been performing better under the new administration. While Takhar's MPs were rarely meeting and following up with the ministry of finance, I can see how the MPs now regularly visit with the head of budget committee to make sure that their projects are incorporated in the national budget. It is not the only time that Takhar MPs show up in the budget department of ministry of finance as the MPs refer to the budget department after the approval of the national budget as well. These MPs continue their regular visit and follow up until they get the funding for specific development projects.

In the same line, an ISLA-USAID advisor further described the lobbying strategies of Takhar MPs by emphasizing on their collective lobbying. The ISLA-USAID advisor also referred to the prominent figures from Takhar that support the MPs at the central government level. According to the advisor,

One of the main reasons that Takhar can receive higher discretionary development budget compared to some other bigger provinces is the collective lobbying strategy of the Takhar MPs. Although Takhar MPs lobby the central government individually, in some cases, they get together and lobby the central government for specific development projects that benefit the whole province, or they lobby certain number of development projects. In addition to such collective feature of Takhar MPs, they benefit from some prominent figures in the lower house budget committee and the head of independent directorate of local governance. These two figures can greatly help the MPs to collectively lobby the central government.

Yet in another interview, a Takhar MP described his approach for receiving discretionary development budget from the central government. The MP that leads a political movement supporting the president and opposing the other Jihadi parties—specifically, the Jamiat Party—represent a very important group to provide political support and legitimacy to the president.

During the interview, the president was in continuous tension with other political parties to share governmental positions and resources. However, the MP shared his own approach to lobby the central government for funding his provincial development projects as follows:

The budget allocation process is a challenging one meaning that the MPs need to try a lot in order to get their development projects funded by the central government. I personally have a list of development projects that I individually follow up with the ministry of finance and other ministries. However, there are some instances that I join the MPs from my province in order to lobby certain development projects. Interesting, the projects that we collectively lobby tend to be approved easier than the one that we do individually.

In addition to the active collective lobbying strategies, it is important to consider the active individual lobbying strategies of Takhar's local actors as well. Takhar has eight members in the lower house of national assembly. Compared to the preceding cases of Kandahar and Parwan, the case of Takhar presents a less active lobbying strategy by the individual MPs. The interviews with MPs, and ISLA-USAID advisors show that Takhar presents a less active set of MPs in terms of lobbying the central government for receiving discretionary development budget.

As such, when asked about how active the MPs from Takhar provinces are, an ISLA-USAID advisor described Takhar as relatively active in terms of lobbying the central government for discretionary development budget. According to him,

Generally speaking, the MPs all try to have their development projects funded by the central government, but they cannot get all they want. It really depends on how the MPs approach the central government and different ministries. Regarding Takhar, I know about two three of them that are very active in terms of lobbying and getting their development projects approved by the central government. The first one is the deputy of budget committee that is a Takhar MP. He plays an active role in intermediating the discussion between the MPs and the minister of finance during the negotiation process after the draft national budge gets rejected. The second Takhar MPs is the one who leads a political movement in support of the president and in opposition with other Jihadi commanders. He is also very successful in lobbying and getting development projects from the central government.

In another interview, a member of budget committee of the lower house described Takhar's MPs as somehow active, but not very active. The member of the budget committee pointed at some of the MPs from Takhar who cannot get any of their development projects funded by the central government. According to him,

The MPs from Takhar are not all active. There are two or three of them that are very active, but the rest have a difficult time in receiving development budget for their provincial development projects. I know of some of the MPs from Takhar who have not been able to receive development budget for more than one project. However, there are some that sometimes even fail to incorporate any of their development projects in the national budget.

Accordingly, the case of Takhar shows a moderate level of active collective and individual lobbying strategies, compared to Kandahar and Parwan, vis-à-vis the central government in order to receive discretionary development budget. Given the highly centralized institutional setting and lack of any intergovernmental organizations tasked with lobbying for the local governments in Afghanistan, what happens is that the provinces like Takhar would end up with less amount of discretionary development budget.

Although the lobbying performance of Takhar's MPs shows a less active mode of lobbying, they have been more successful compared to some other provinces in Afghanistan. In this regard, the next case study provides a different situation in which the local actors present a passive collective and individual lobbying strategy in achieving discretionary development budget.

7.3.4. Balkh

The final case study is Balkh province that fits under the second and fourth allocation patterns considering the performance of Balkh in receiving discretionary development budget during the last four fiscal years. The data on the amount of allocated discretionary development budget among the four case studies, from the last four fiscal years, show that Balkh has received the lowest for the fiscal year 1397 and the second highest for the fiscal years 1394, 1395 and 1396.

Under the second pattern that matches Balkh's performance for the fiscal years 1394, 1395 and 1396, Balkh has been able to show high degree of political affiliation that indicate the political considerations of the central government (political relationship, political importance, and strength and weakness) and moderately active collective and individual lobbying strategies vis-à-vis the Afghan central government. Under the fourth allocation pattern that corresponds to Balkh's performance during the fiscal year 1397, Balkh has not been politically favorable to the central government that means the central government (1) has not had strong political relationship; (2) has not considered Balkh as political important; and (3) has ignored the strength of Balkh. Likewise, Balkh local actors have not demonstrated active collective and individual lobbying strategies vis-à-vis the Afghan central government.

Political Considerations of the Afghan Central Government vis-à-vis Balkh

The political considerations of the Afghan central government refer to three specific indicators—political relationship, political importance, and strength and weakness of local administrations—that together form the political affiliation model. As such, Balkh province has shown two different levels of political affiliation during the last four fiscal years. In terms of political relationship, Balkh province, like Kandahar, has been one of the provinces that the Afghan central government has been consistently wanting and trying to have good political relationship with. Such importance comes from the position and capacity of Balkh province to support the central government in political, economic, and security terms.

In political terms, as Afghanistan has been consistently lacking political legitimacy at the eyes of the people, especially with the domination of the warlord on the peripheries after the fall of the Taliban regime, the central government has been trying to have the support of such warlords to maintain political stability in Afghanistan. In this regard, Balkh has been one of the most

important provinces, controlled by former warlord commanders, whose support would greatly help the Afghan central government to gain political legitimacy.

Without including these warlords in the structure of the government, it seemed like impossible for the central government to govern Afghanistan in general and the localities in particular. Accordingly, the central government appointed Atta Mohammad Noor, the former Jihadi commander, as the governor of Balkh and as such started and continued a close relationship with Balkh through giving concessions to Balkh province. Such close relationship continued during the first two presidential terms led by Karzai. However, the next president, Ghani, opposed Balkh governor and the Afghan central government's relationship started to deteriorate.

In addition to political support, Balkh has had a strong potential to contribute huge amount of revenue to the Afghan central government. Given the relative security in Balkh and its connection to central Asian countries, Balkh has been maintaining a strong economic performance since 2001 in Afghanistan. In this regard, Balkh has been the second major contributor of revenue, after Herat, to the Afghan central government. Likewise, Balkh has been supporting the central government in ensuring security not only in Balkh, but also in the neighboring provinces. Given the location of Balkh province at the middle of nine northern provinces of Afghanistan and the strong connection and influence of Balkh governor over these provinces, Balkh has been able to provide additional security support to the northern provinces. This has facilitated the work of the Afghan central government.

With regard to how political relationship has helped Balkh province to obtain development budget from the central government, the qualitative data drawn from in-depth interviews with local and central officials, MPs, and ISLA-USAID advisors show that the two presidents have had two different political relationships with Balkh. In this regard, a Balkh's MP described his experience

about the change in the leadership of the central government and his hard time to get his development projects funded. According to him,

Unfortunately, the central government allocate development budget based on political relationship. For instance, when Atta Mohammad Noor was the governor of Balkh, the ministries were welcoming the MPs from Balkh, but now that the president does not have a good relationship with our governor, the ministries do not even listen to our demands.

The Balkh MP went further and shared his experience for getting funds for a development project that took him two years. According to him,

It took two years for this project (2km and some hundreds of meter roads in Shulgara, a district in Balkh province) to be included in the budget. I started discussing with ministry of public affairs and then when they ended up understanding that that ministry cannot fund this project, I shifted discussion with water and power ministry. This time I could convince the minister and the minister promised to include the project in its annual budget that happened so.

Likewise, an ISLA-USAID advisor commented on how the change in the political leadership of the Afghan central government has affected the political relationship of Balkh's governor and MPs with the central government regarding the allocation of development budget.

According to him,

I think it is very important who the president and the minister of finance are and how their political relationship is with specific provinces. As the budget allocation system is very centralized and the president and the central government have exclusive authority, they decide who should get the development projects and who should not. For instance, when Ghani became the president and his relationship deteriorated with Balkh governor, Balkh has not been receiving as much development budget as they have been receiving during Karzai. Balkh has been receiving much lower than some smaller provinces.

Additionally, a ministry of finance official, when asked about how he evaluates the relationship of Balkh MPs with the minister of finance, he did not suggest a strong relationship.

According to him,

I personally do not see any close relationship between the current minister of finance and the MPs from Balkh. Except very few of them that are not in the same

political position with former Balkh governor refer to the minister of finance for some development project, I do not see other MPs connected with the former governor in the ministry of finance. While during Karzai's presidency, the MPs from Balkh were showing off a lot had regular meetings with ministry of finance departments for their development projects.

The second indicator of political affiliation is the political importance of the local administrations for the Afghan central government. The Afghan central government has been consistently wanting and trying to have a close political relationship with Balkh province. Such efforts indicate the political importance of Balkh to the Afghan central government. However, the last four fiscal years suggest both high political importance and low political importance of Balkh to the Afghan central government. The first two presidential terms indicate sufficient proof for high political importance of Balkh for the Afghan central government. The preceding section described the political importance of Balkh in providing support for the central government to gain political stability and legitimacy across the northern provinces and Afghanistan as a whole.

However, the third president came to have a different view. Given Ghani's centralist view of governance, he started to weaken Balkh political leadership through deposing governor Atta from his position. With huge and long controversy and opposition, Atta stepped down from governorship. As Ghani has not received the highest number of votes from Balkh and the political leadership of Balkh was in opposition with Ghani's policies, Ghani as the president was considering Balkh's leadership as an obstacle for his governance rather than a support. In this regard, an ISLA-USAID advisor described the political importance of Balkh to Karzai and Ghani as follows:

In terms of political relationship and importance, the two presidents have had a different view regarding Balkh province and its leadership. During Karzai, Balkh was respected by the central government because Balkh's governor had a close relationship with the president and the president was considering Balkh as important to his government and legitimacy. However, things changed when Ghani became president. Ghani supports a very centralized system of governance and does

not accept any opposition to his rule. Therefore, as Balkh was not obedient to Ghani's rule, Balkh was not a favorable political leadership for Ghani. In fact, this relationship has affected the amount of development budget that Balkh receives.

In another interview, an MP from Balkh commented on how the deterioration of the relationship between Ghani and Balkh governor has affected his performance to have his development projects funded by the central government. According to him,

I have not been able to have my development projects funded this year because of the fact that my province did not vote for the president and has consistently challenged the president and the central government. Therefore, because the president and the minister of finance have full control over the budget allocation, it is difficult for us to have our development projects funded. However, I did not have such difficulty during the former president that had a close relationship with our governor.

The final indicator of political affiliation model is the central government's evaluation of the strength and weakness of the local administrations. The preceding two sections showed how the political relationship and the political importance of Balkh province diminished at the eyes of the Afghan central government. As such, while the Afghan central government was considering Balkh as a strong province of which requests would not be rejected or ignored, the current central government has a different view such that it does not consider the request of Balkh's governor and MPs as must-be-accepted ones. In this regard, an ISLA-USAID advisor commented on the strength of Balkh to pressurize the central government to receive discretionary development budget. According to him,

During Karzai's presidency, Balkh has been receiving higher amount of discretionary development budget because the governor had a close relationship with the president. As such, the MPs close to Balkh governor had an easy time to have their development projects funded by the central government. This is because of the fact that the central government could not reject Balkh's MPs' request for specific projects. If the central government could not fund their projects, it was promising Balkh MPs to include their projects through external resources. However, this situation changed with Ghani became the president. Now, the minister of finance and other ministries do not receive Balkh as before.

The details about the three indicators of political affiliation show that Balkh has had two different types of political affiliation during the last four fiscal years: strong and weak political affiliation. The strong political affiliation refers to the fiscal years of 1394, 1395 and 1396 that were the last years of Karzai's presidency and the weak political affiliation relates to the fiscal year 1397 when Ghani's administration took over.

The Lobbying Strategies of Balkh's Local Actors

In addition to the political considerations of the Afghan central government that constitutes the first aspect of informal mechanism, the lobbying strategies of the local actors, as the second aspect, influence the decision on the allocation of discretionary development budget. The lobbying strategies of the local actors fall under four categories of active collective, passive collective, active individual, and passive individual. However, the Balkh's local actors demonstrate moderate and passive lobbying strategies during the last four fiscal years. While the first three fiscal years (1394, 1395 and 1396) represent the moderately active collective and individual lobbying strategies, the last fiscal year (1397) represents the passive collective and individual lobbying strategies from the side of Balkh's local actors.

The passive collective lobbying strategy indicates that the local governments or actors do not actively or directly lobby for intergovernmental transfers, but instead rely on intergovernmental organizations to lobby for them. Such situation exists in the case of Afghanistan, with one difference that there is no intergovernmental organization tasked with lobbying for other local governments, where the local actors, specifically, the MPs do not collectively lobby for provincial development project while they do lobby individually. Balkh's local actors fall under this category. However, the moderately active collective and individual

lobbying strategy suggests that the local actors are moderately active in terms of lobbying that can take either collective or individual form.

Given the change in the political leadership of the Afghan central government, the lobbying strategies of the Balkh's local actors have been subject to some changes. During the first three fiscal years (1394, 1395 and 1396), the Balkh's local actors have demonstrated moderately active collective and individual lobbying strategies primarily because of the strong political affiliation of the central government with Balkh political leadership. Such a strong relationship allows the local actors to be active and in fact have the chance to approach different central government officials in order to have their development projects funded.

In terms of the moderate collective strategies of Balkh, an MP from Balkh described his collective lobbying strategies. According to him,

The MPs in Balkh province are different from all other provinces. It seems like they do not care about lobbying for provincial development projects. Although they mostly lobby individually, they are not very active in collective lobbying. I remember few instances in which the MPs got together and lobbied for certain provincial development projects. The central government does not allocate the development budget based on the provincial needs, but it allocates them based on who lobbies and puts more pressure on the central government and who provides more political support for the central government.

In the same line, another Balkh MP referred to the conflicting political relationship between the central government as the main reason for the MPs do not have the incentive to lobby the central government.

During Karzai's period, we had an easier time to approach the central government because we were sure of the good political relationship between the president and our governor. This was giving us the incentives to refer to different governmental organs for development projects. However, as the new president does not have good relationship with our governor, we mostly do not have the courage to approach the central government for our development projects. Although we do so both collectively and individually, we cannot get as many development projects as we used to.

In the same line, another MP from Balkh described the lobbying strategies of Balkh's MPs not very cooperative. The MP specifically said,

I think Balkh MPs are not very cooperative in terms of lobbying the central government. The MPs rarely get together to discuss about provincial development projects to be lobbied for. I personally rarely meet other MPs from my province to specifically discuss about provincial development projects. I can say there has been some instance in which we lobbied together, but it has been very rare. I think part of the reason is that the MPs do not the incentive and assurance that their lobby would result in getting their development projects funded.

Finally, a local official commented on MPs from Balkh that they lobby differently compared to other provinces' MPs. According to the official, the Balkh MPs mostly lobby individually rather than collectively for incorporating their development projects in the national budget. According to him,

I think the MPs from Balkh are very fragmented in the sense that they mostly lobby for the development projects individually rather than collectively. Although there are some active MPs in Balkh that work in different commission in the lower house, they do not have much collective efforts for incorporating provincial development plans in the national budget. Such collective efforts have diminished during the last fiscal year because they do not see any hope for having their development projects funded by the central government. This makes sense for those MPs that actively support the former governor.

Similar to the collective aspect of lobbying strategies, the case of Balkh presents both weak and moderate level of active individual lobbying strategies from the side of its local actors. Given the context of Afghanistan, under the active individual lobbying strategy, the local actors would directly and actively lobby the central government for incorporating provincial development projects. As such, the case of Balkh province represents a moderately active individual lobbying during the first three fiscal years (1394, 1395 and 1396) and a weak or passive individual lobbying strategy during the fiscal year 1397.

Just like the collective aspect of lobbying strategies, the political affiliation of the central government with Balkh has affected the lobbying strategies of Balkh's local actors such that

Balkh's local actors, during the first three years, have been moderately active to individually lobby the central government while their individual lobbying strategies proved to be weak or passive during the last fiscal year.

The interviews with central and local officials, MPs, and ISLA-USAID advisors show that the MPs from Balkh have not been as active as the other three cases studies in terms of lobbying the central government to receive discretionary development budget. For instance, an MP from Balkh expressed the performance of his fellow MPs as disappointing. According to him,

The MPs of Balkh in the parliament are not very active ones in terms of lobbying the central government for receiving discretionary development budget. They are not active in the sense that they do not regularly engage in lobbying activities, especially during the last year, to pressurize the central government to approve development projects for our province. Not only they do not actively lobby their projects, they also do not show any desire to collectively lobby for provincial development projects. It rarely happens.

In the same line, a Balkh local official confirmed the inactiveness of the MPs of Balkh provinces in terms of lobbying the central government for more development budget. According to him,

The MPs of Balkh are not very cooperative and active in terms of lobbying for provincial development projects. With the exception of three or four of the MPs that actively lobby for development projects that are mostly supported by the governor, the rest are not very active and effective in terms of getting the development projects approved by the central government.

Furthermore, a ministry of finance official commented on the performance of Balkh province regarding receiving discretionary development budget and their lobbying approach. According to the official,

The MPs from Balkh, except a few of them, are not very effective in terms of pressurizing the central government for the allocation of more discretionary development budget. There are only a few MPs that are supported by the governor and the central government that can influence the decision-making over the allocation of discretionary development budget. Other than that, the other MPs either get no project funded or if they get any, the funding is not very significant.

Overall, the case of Balkh shows that the change in the political leadership and the president's approach to governance has effectively impacted on the political considerations of the Afghan central government and the lobbying strategies of Balkh local actors vis-à-vis the central government to receive discretionary development. With that, while Balkh has been matching with the second allocation pattern during the fiscal years of 1394, 1395 and 1396, Balkh as fall under the fourth allocation pattern with lowest amount of discretionary development during the fiscal year of 1397.

7.5 CONCLUSION

In this chapter, I explained the informal mechanism behind the allocation of discretionary development budget in Afghanistan during the last four fiscal years. Having explained why the existing hypotheses in the literature do not apply in the case of Afghanistan, I proposed and tested specific mechanisms under which the central government allocate discretionary development budget in Afghanistan. The informal mechanism consisted of two aspects: first, the political considerations of the Afghan central government; and second, the lobbying strategies of the Afghan local actor.

More specifically, the political considerations of the Afghan central government consisted of three elements: political relationship, political importance, and the strength and weakness of the Afghan provinces. Likewise, I explained and evaluated the lobbying strategies of the Afghan local actors under a conceptual framework derived from the combination of mode and intensity of lobbying strategies that ultimately consist of two aspects: first, the active collective vs. passive collective; and second, the active individual vs. passive individual.

Therefore, having applied the informal mechanism on the four case studies during the last four fiscal years, Table 7.8 summarizes where the case studies fit considering the four models and the amount of discretionary development budget that they have received.

Table 7.8: The Four Cases Studies and the Allocation Patterns

Allocation Patterns											
FY1394 (2014-15)			FY1395 (2015-16)			FY1396 (2016-17)			FY1397 2017-18)		
Province	Amount (\$)	Pattern	Province	Amount (\$)	Pattern	Province	Amount (\$)	Pattern	Province	Amount (\$)	Pattern
Kandahar	8,746,907	1	Kandahar	31,025,000	1	Kandahar	62,268,000	1	Kandahar	31,116,791	1
Balkh	3,533,141	2	Balkh	15,988,000	2	Balkh	25,729,000	2	Parwan	21,341,460	3
Takhar	503,742	3	Parwan	15,425,000	3	Parwan	21,657,000	3	Takhar	19,653,447	3
Parwan	37,514	4	Takhar	12,308,000	4	Takhar	14,162,000	4	Balkh	14,940,223	4

CHAPTER EIGHT: CONCLUSION

In this dissertation, I have sought to explain how discretionary development budgets are allocated in Afghanistan. In doing so, I conducted four levels of analysis. As the first level of analysis, I explained the origin and continuity of the centralized institutional settings that included the planning and budget processes for the allocation of discretionary development budget.

In terms of origin, although there are normative approaches to explain the origin of or the rationales behind centralization or decentralization, the literature suggests that certain political motives and incentives (micro logics) may explain the adoption of either largely centralized or decentralized governmental institutions in any given country. As such, the case of Afghanistan confirmed that the micro logics have been effective in the decision-making over adopting highly centralized institutional settings that included centralized planning and budgeting processes for the allocation of discretionary development budget.

During the course of history, Afghanistan has undertaken numerous efforts towards state building and development that have resulted in consistent failure. However, Afghanistan started a new era of efforts in 2001 where the international community, led by the USA, initiated an extensive state building and development agenda in Afghanistan. Following the suit from the earlier regimes and governments, the newly formed government in Afghanistan relied on a highly centralized institutional setting where the central government gained excessive political, fiscal, and administrative authority and power in Afghanistan.

The state builder's dilemma justifies Afghanistan's choice of centralized institutional setting. David Lake argues that state builders do not decide to initiate state building in any country, unless they seek certain political and economic interests in the states being built (Lake, 2016). In order to maintain their political and economic interests, the state builders appoint their loyal

politician as the head of the states being built and channel their resources to him. As such, the loyal politician has to keep up loyalty to the state builder and maintain legitimacy at the eyes of the people. Lake argues that the loyal politicians mostly fail to strike a balance between loyalty and legitimacy, so Lake characterizes such an imbalance as “state builder’s dilemma” (Lake, 2016). Accordingly, in order to gain legitimacy, the states being built, according to Lake, adopt a highly centralized governance system so that the loyal politician dominates the state resources in order to gain legitimacy at the eyes of the people.

The case of Afghanistan corresponds to Lake’s definition. Afghanistan’s presidents have consistently had legitimacy challenge. In order to mitigate such challenge, Afghanistan relied on its existing highly centralized institutional settings that were quite helpful for the state builders, the central government elites, and their local supporters. Although Afghanistan, upon its first democratic transition, initiated to reform the planning and budget allocation system to become more participatory, transparent, predictable, and equitable, the reforms did not propose significant devolution of planning and budgeting responsibilities to the local administrations. The planning and budgeting policies (PDPG and PBP) introduced only deconcentration that is the weakest form of decentralization. This means that the new reforms did not change the status quo and the centralized planning and budgeting remained the same.

In Chapter Four, I explained how the centralized planning and budgeting processes continued in Afghanistan through the lens of lock-in effect mechanism of policy feedback theory. According to lock-in effect mechanism, “the politics create policies and policies create politics” (Skocpol, 1992: 58). The case of Afghanistan showed that the politics of state building pushed Afghanistan to adopt a highly centralized institutional setting where the state builders and the loyal politician favored a highly centralized institutional setting. As such, the adoption of centralized

institutional setting created certain politics such that a set of actors were created that favored the centralized institutional setting because they could access to government positions and resources. These actors would not accept any change to the status quo as long as their interests are involved. The case of Afghanistan showed the domination of the state actors over the system and the policymaking process did not allow any significant change to happen to the status quo.

Under the second level of analysis, I evaluated the performance of the Afghan local administrations under the recent planning and budgeting reforms (PDPG and PBP). Although the PDPG and PBP have proposed several outcomes to achieve, I narrowed down the focus of the evaluation to two specific outcomes—improved participation and allocative efficiency (transparency, predictability, and equity) in the allocation of discretionary development budget. It is mentionable that I did not measure the activities that lead to implementation outputs of PDPG and PBP. However, the data show that all 34 local administrations have been able to produce the three outputs of (1) creating provincial planning and budgeting committees; (2) developing provincial development plans; and (3) producing budget circulars that present the local needs.

For the evaluation of PDPG and PBP outcomes, I adopted a non-randomized design and used all 34 Afghan local administrations as units of analysis. The results showed that the implementation of PDPG and PBP has not improved the level of participation and allocative efficiency in the planning and budgeting process. In terms of participation, the results showed that the highest percentage of PDP incorporation in the national budget ranges between 15% and 28% that represent only a few of the local administrations while rest of the local administrations score between 0% and 15%. Such low level of participation and local share in the allocation decision-making process also indicate low level of transparency and predictability. In terms of equity that is the main indicator of allocative efficiency, the results showed no association between the

allocated amount of discretionary development budget and the population and revenue contribution of the Afghan local administrations.

The evaluation's results suggested the fact that the adoption of the two new policies—PDPG and PBP—has not been conducive to improved participation and allocative efficiency. These results also showed that the status quo has not change and the effects of Afghanistan's highly centralized institutional settings are in place.

While the formal planning and budgeting processes under PDPG and PBP did not prove conducive to improve participation and allocative efficiency, I conducted the third and fourth levels of analysis. Under the third, I explored and tested two potential factors of administrative capacity and socio-economic conditions to understand if the Afghan central government has considered them in allocating discretionary development budget. Accordingly, I operationalized administrative capacity into three indicators of individual skills, institutional capacity, and plan quality. For socio-economic conditions, I considered five indicators that fell under two categories of fiscal capacity and social indicators. The fiscal capacity indicators included revenue contribution, spending needs, and spending capacity and the social indicators comprised of per capita of discretionary development budget and area.

The results of such measurement and testing suggested no association between the two potential factors (administrative capacity and socio-economic conditions) and the allocated amount of discretionary development budget in Afghanistan. This required me to examine the final possible explanation for the allocation of discretionary development budget in Afghanistan. As such, I undertook the last level of analysis through which I examined the informal mechanisms underlying the allocation of discretionary development budget in Afghanistan. I relied on the

qualitative evidence drawn from in-depth interviews with Afghan central and local officials, MPs, and ISLA-USAID advisors during the four months of field research in six Afghan provinces.

Regarding informal mechanisms, I introduced four patterns in order to explain the allocation of discretionary development budget in Afghanistan. These patterns have three main elements: political considerations of the Afghan central government, and the two aspects of local actors' lobbying (active collective vs. passive collective and active individual vs. passive individual). With respect to the political considerations, I introduced the political affiliation model that comprised of three indicators of political relationship, political importance, and strength and weakness of the local actors. For the lobbying strategies, I examined how the local actors lobby the central government. The case of Afghanistan showed that the Afghan local administrations fall under four categories in terms of lobbying: active collective, passive collective, active individual, and passive individual.

These patterns could explain the performance of the four case studies during the last four fiscal years. Depending on the strength of political affiliation and the manner of lobbying strategies, the four case studies corresponded to different allocation patterns during the last four fiscal years. For instance, Kandahar did fit under the first allocation pattern during the last four fiscal years because it could maintain strong political affiliation with the central government and active lobbying strategies, both collectively and individually, vis-à-vis the central government.

The other three case studies demonstrated changes in their level of political affiliation and lobbying strategies. For instance, Parwan alternated between the second and third pattern during the last four fiscal years. This means that Parwan has maintained a moderate level of lobbying strategies, both individual and collectively during the last four years. However, the political affiliation of the central government with Parwan has alternated from strong to moderate. Such

alternation in political affiliation is because of the change in Afghanistan's political leadership. Overall, the allocation patterns suggest that strength of political affiliation and the manner of lobbying strategies effectively impact the performance of the Afghan local administrations in terms of receiving higher or lower amounts of discretionary development budget. Regardless, the results drawn from these four levels of analysis suggest several important implications for the state builders, the central and local actors, and the international organizations that closely work to improve the performance of Afghan government to provide effective and efficient public goods and services.

8.1. AFGHANISTAN'S STUBBORN STICKINESS TO CENTRALIZED INSTITUTIONAL SETTINGS

I draw three main implications from the explanation of origin and continuity of the centralized institutional settings that include the planning and budget allocation processes in Afghanistan. First, the origin and continuity of Afghanistan's centralized institutional settings suggest a high level of stickiness to centralization from which deviation is difficult for Afghanistan. Such stickiness comes from the very nature of state building and development processes that resulted in reliance on centralization in 2001. Such centralization soon created a set of actors that proved extensively invested in the system such that they would push back any change to the status quo. Such a setting creates a strong opposition and obstacle towards any reform in the system.

Second and related to the first, under such stickiness to centralized institutional settings, Afghanistan's initiatives for reform prove only window dressing. Given the recent democratic transition in Afghanistan, the international community pressurized Afghanistan for more effectiveness, efficiency, and accountability that in turn resulted in the adoption of some new

policies such as PDPG and PBP. However, these reforms—specifically, the PDPG and PBP—have not imposed any change in the status quo and the planning and budgeting system remained the same. Considering the structure and administration of planning and budgeting, there is no change in the level of concentration of decision-making at the central government. The PDPG and PBP only propose some clarification on the roles and responsibilities of the local administrations while they still remain implementers rather than participants in the decision-making process.

Finally, such stickiness, unwillingness, and failure to reform the institutional settings to respond to the existing challenges do not provide a clear vision on the workability of the institutional settings—specifically, the planning and budgeting processes—in the future. As such, any reform like PDPG and PBP would only waste the resources and would not pave the way for a sustainable system capable of providing effective and efficient public goods and services.

Accordingly, the Afghan government and the international community need to learn from the failure of previous efforts for reforming the system and make a strong determination for reforming the system based on the needs and realities in Afghanistan.

8.2. THE FORMAL AND INFORMAL MECHANISMS: IMPLICATIONS FOR FURTHER REFORM

Having examined the formal and informal mechanisms underlying the allocation of discretionary development budget, the Afghan government can undertake further steps to reform and amend several specific areas to improve participation and allocative efficiency. As such, I first highlight the reasons of Afghanistan’s failure to improve participation and allocative efficiency.

The first refers to the weak role of local actors in decision-making over the allocation of discretionary development budget. A close review of the PDPG and PBP shows that there is neither a strong link between planning and budget formulation and allocation processes nor reliance on

local input in the decision-making process for the allocation of discretionary development budget. According to PDPG and PBP, the role of local actors—local population, local administrations, provincial councils, and civil societies—is limited to developing Provincial Development Plans (PDPs) and prioritizing the development projects through the budget circulars. Once the local administrations send their PDPs and budget circulars to the central government, the local actors do not have any influence over decision-making process for the allocation of discretionary development budget. The data on the proportion of PDPs incorporated or funded by the central government—illustrated in Chapter Five—supports this argument.

The second is the lack of coordination between local actors that include the local population, local administrations (provincial line directorates and provincial councils), civil societies, and members of parliament. The PDPG and PBP, as the primary sources regulating the planning and budgeting processes, have failed to incorporate the members of parliament in the planning and budgeting processes. The members of parliament do not play any role in the planning phase, but they start to engage in the decision-making process, formally and informally, once the budget formulation begins. The MPs' formal role begins when the Afghan cabinet, after its approval, sends the draft national budget to the lower house of national assembly. The practice shows that they have repeatedly rejected the draft national budget during the last eight years. According to the rules, the MPs can propose changes to the draft national budget so that the central government amends the draft national budget.

However, as it would take an inordinate amount of time to reconcile the diversity of opinions over the draft national budget, the central government initiate an informal negotiation process with the MPs individually or collectively. This is where the informal role of the MPs begins. Although the MPs engage in lobbying for the local projects when the draft budget is sent

to the parliament for review and approval, they do not play a significant role in incorporating the local projects selected and prioritized through the budget circulars in the planning and budget formulation process. As the MPs are not aware of and are not provided with the already submitted list of prioritized development projects through the budget circulars, they mostly lobby for the projects that primarily favor themselves and their limited and small constituencies.

The third relates to the political influence factor, which undermines the degree of allocative efficiency. Generally, the extent of decentralization determines the level of political influence in the public finance management system (León-Alfonso, 2007: 28). The more decentralized the more the local actors can engage in the planning and budgeting processes. Conversely, the centralized system undermines the role of localities in the planning and budgeting processes.

Afghanistan, with a highly centralized system of public finance management, suffers from this very problem. Under the current system, the local administrations make PDPs, respond to the BCs by proposing their prioritized projects, and send the BCs to the line ministries at the capital. Then, the central government, the MoF, takes the lead in the budgeting process. Because the localities cannot exert any more influence over the project selection process or the allocation of budgets, other actors appear more important and influential. Specifically, these actors are the members of the parliament and the provincial governors.

The highly centralized planning and budgeting system makes the political deal the best option for both the central government and local actors. The central government needs the approval of the budget and the local actors need their projects to be incorporated or funded in the national budget. This happens because the process requires the approval of the budget from the House of Representatives.

Although such a requirement should help further incorporation of local needs in the national budget, the system works otherwise because there is not link between the members of the parliament and the planning process. According to PDPG, the members of parliament have no engagement in the planning process. This results in a disconnection between the local needs and the projects that the MPs lobby through the lower house of national assembly. With such a disconnection, the political influence undermines the formal process of planning and budgeting. The informal mechanisms, introduced and explained in Chapter Seven, illustrate the politics of discretionary development budget allocation in Afghanistan.

The low level of PDPs' integration in the national budget, and the unbalanced allocation of the budget to different local administrations further suggest the power and influence that politicians have over the planning and budgeting processes.

8.2.1. Alternatives and Solutions

Given the existing problem—low level of participation and allocative inefficiency—and its root causes, I propose that the Afghan government needs to amend the PDPG and PBP to bring the necessary changes to improve participation and allocative efficiency. I explore two options and present their pros and cons.

The first option relates to sticking with the existing deconcentrated planning and budgeting processes that the Afghan government strongly advocate for. The second option is reforming the existing planning and budgeting processes through a bottom-up or participatory budgeting approach together with some technical changes in the procedure of planning and budgeting processes. These two options have both pros and cons.

The Pros and Cons of the First Option

Regarding the first option, keeping up the status quo, the central government officials list two main pros. The first that the top-down approach reduces the risk of local elite capture of the public resources. The central government argues that if it devolves budget allocation and expenditure decision-making authority, the local elite (the warlords) would capture the resources and would not expend the public resources properly and for the good of the public. As such, an official from Budget Directorate of MoF said, “Afghanistan needs such a top-down approach in order to reduce the waste of public resources. Because the warlords control the localities, it is difficult to devolve allocation and expenditure decision-making to them. So, it is safer that the central government has the authority to allocate the public resources.” Several other officials from MoF provided similar points of view about the existing planning and budgeting processes.

Likewise, the second argument in favor of the status quo relies on the effectiveness and efficiency of centralization given the scarcity of the resources in Afghanistan. According to a MoF official, “The current centralized planning and budgeting system prevents misappropriation of the public funds. As Afghanistan targets specific national priority programs, it is necessary that the central government retains the allocation authority in order to match the locally proposed projects to the goals of national priority programs.”

It is important to note that the continuity of the status quo could have negative impact on the allocative efficiency in two ways. The first is that the allocation of public funds would not match the needs and preferences of the local populations. According to the data, only 8 to 9 % of the proposed and prioritized local projects have been funded by the national budget. It is while the local administrations develop their development plans based on the budget ceilings and roadmap that the central government provides in accordance with the goals and objectives of the national

priority programs. According to an ISLA-USAID local advisor, “under the current planning and budgeting system, the local officials cannot predict how much budget they would get when the final national budget is approved by the parliament. And when the national budget comes out, you can rarely find locally proposed and prioritized plans funded by the central government.” The local officials from the four provinces that I interviewed with share the same point of view about the predictability of the budget allocation.

Secondly, the centralized planning and budgeting does not ensure predictable, transparent, and equitable budget allocation. As the data provided, the local administrations can rarely predict how much budget they would get for their proposed projects, they have no vision of how their projects were not funded because the decision-making process is not transparent, and finally, the local administrations cannot find any association between their population, revenue contribution, and the ultimate amount of development budget. According to an ISLA-USAID local advisor,

The central government does not necessarily consider the population and revenue contribution when they decide about the allocation of development budget. At the same time, I would not say that they consider the national priority programs solely for decision-making. I would suggest that the role of MPs would also affect their decision over the allocation of budget to the local administrations.

The Pros and Cons of the Second Option

The second option, relying on bottom-up or participatory budgeting, has more pros than cons. Regarding the cons of the bottom-up approach, the participatory budgeting requires local capacity in order to manage and coordinate the planning and budgeting procedure. According to a MoF official, “we cannot rely on all provinces in terms of managing and coordinating planning and budgeting at the local level. I should acknowledge that some local administrations have the capacity to handle such responsibility, but it is not the case for all the local administrations.”

Likewise, the bottom-up approach is also time-consuming, in the sense that the local administrations need to go through both a local procedure and a central one. An ISLA-USAID advisor argued, “the bottom-up approach waste time and resources while the current centralized system is a unified channel in order to receive the local needs.” The proponents of the centralized planning and budgeting system argued the same when approached during the field research.

However, the bottom-up or participatory budgeting has many pros. First, it links the local population and needs with the central government; second, it establishes good communication among the central and local government entities; third, it helps maintain useful exchange of information between the central and local governments; fourth, it motivates the local administrations; fifth, it improves the accountability of the local administrations; and finally, it ensures allocative efficiency where the local needs and preferences are met by the central government.

The Proposed Solutions

Given the consistent failure of the centralized planning and budgeting system since 2001 and the shortcomings of the recent minor reforms through deconcentration of planning and budgeting under PDPG and PBP to achieve allocative efficiency and better public goods and services delivery, it is not wise to rely again on such a centralized planning and budgeting system. As such, Afghanistan severely needs to adopt a bottom-up or participatory planning and budgeting approach together with some amendments in the planning and budgeting processes. These proposals touch on each of the causes of allocative inefficiency, highlighted earlier.

The Weak Role of Local Actors in Allocation Decision-Making

The first cause of allocative inefficiency related to the weak role of local actors—local population, local officials, provincial councils, civil society, and members of parliament—in

decision-making over the allocation of discretionary development budget. In order to resolve this problem, Afghanistan can learn lessons from participatory budgeting in South Korea and similar countries. In South Korea, a participatory budgeting research group together with a support group collects the local people's needs via meetings local people and civil groups. Then, the research group selects five of the projects after consultation with the expert and district councils and includes them in the national budget. Although Afghanistan does conduct such a consultation process through the planning phase, but the proposed and prioritized development projects do not represent the basis of decision-making over the allocation of discretionary development budget.

In this regard, the PDPG and PBP need to (1) provide budget ceiling to the local administrations; and (2) allocate the same amount of the budget ceiling considering the proposed development projects in the provincial development plans. The budget ceilings for the local administrations make them propose based on what the central government can allocate for them. Since 2001, the local administrations have not received certain and reliable budget ceilings from the central line ministries.

Lack of Coordination Between Local Actors

In order to improve coordination between the local actors, both the planning and budgeting practice and the experience of the local officials suggest that the Afghan government needs to ensure the inclusion of the MPs in the planning process and accordingly improve their role as local representatives in the budget allocation decision-making process. In reality, local actors and the MPs advocate two different sets of development projects. This is in fact the main reason that the low proportion of the local proposed and prioritized development budgets are funded by the central government.

To mitigate this challenge, the Afghan government needs to amend PDPG and PBP to incorporate the MPs in the planning and budgeting processes. Specifically, the MPs should participate in the Provincial Development Committees that approve the provincial development plans. This provides a venue for the local actors, including the MPs, to discuss their needs and uniformly advocate for their local needs and preferences.

The Political Influence

The third cause of allocative inefficiency related to the role of politics in the allocation of discretionary development budget. The Afghan government can reduce the role of politics through enhancing transparency in the allocation of discretionary development budget. Although it is very costly for the central government to make the process transparent, the Afghan government needs to publicly justify why the new projects are added into the draft national budget.

Given the very rationale and politics behind the adoption of centralized institutional settings in Afghanistan and the functioning of the informal mechanisms, it is very difficult to expect actions to reduce the politics of budget allocation. However, such change requires significant reconsideration of the nature of politics in Afghanistan. These changes require strong political will to reform the institutional setting so that cooperation and stability are the results rather than competition and instability.

8.3. LIMITATIONS OF THE STUDY AND FUTURE DIRECTIONS OF RESEARCH

In this section, I reflect on the limitations of this study and the future directions of research related to politics of budget allocation in conflict-affected and fragile countries like Afghanistan. In terms of limitations, I faced three main limitations that impacted the design and methodology of this dissertation.

The first and foremost was lack of available and/or reliable data. During the course of this study, I have consistently faced the challenge to collect reliable and accurate data. The main reason is that the central and local entities do not keep track of specific data. Even, the international organizations that undertake census and demographic reports lacked the data needed for this dissertation. For instance, I could not measure many of the indicators related to socio-economic conditions of the Afghan local administrations because I could not find the related data. Although some sources have produced data, they rarely provide provincial level data that was the focus of this dissertation. However, I had to limit the number of indicators for different levels of analysis in this dissertation.

I found access to data as another limitation in conducting this study. Although Afghanistan has adopted access to information law recently, I faced numerous rejections or delays for accessing the data necessary for this dissertation. I had to spend more time than expected for each and every single data point. There are some data that I am still waiting to have access to. Such lack of access to data negatively impacted this study, as I could not include more fiscal years into my analysis.

The last but not least refers to the security situation back in Afghanistan. Lack of security and safety significantly impacted the possibility of conducting field research in Afghanistan. Although I had planned to study eight local administrations, I had to narrow down the number of my case studies to four.

Based on the findings of and limitations to this dissertation, there are two main areas that need further research. First, there is a need for further application of the informal mechanisms, introduced and examined in the case of Afghanistan, to similar contexts. This would allow the application and possible expansion or reevaluation of the informal mechanisms for the allocation of public funds in conflict-affected and fragile states.

Second, given the limitations to this dissertation that prevented the inclusion of more case studies and fiscal years, future research should consider spending more time on collecting the necessary data to cover more case studies and fiscal years. Such studies may include the application of the informal mechanisms for budget allocation among more conflict-affected and fragile states.

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