



## EXPLAINING BUDGET DEVIATION

### A BUDGET CREDIBILITY SNAPSHOT

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The study of budget credibility examines the extent, nature, causes and consequences of deviations from approved budgets. In this series, part of the International Budget Partnership’s Assessing Budget Credibility Project, 24 civil society partners in 23 countries probed a specific area in which execution of the national budget repeatedly diverged from the approved plan to learn whether adequate reasons were provided for the deviation. The broader synthesis report on these findings can be found [here](#).

# AFGHANISTAN: THE DEVELOPMENT BUDGET

As in most countries, the capital budget supports economic development in various ways. Development projects can create employment opportunities directly and indirectly, lowering poverty and stimulating economic activity. On the other hand, when capital projects are planned but not implemented, this may not only undermine development, but weaken trust in government. Many projects that started over a decade ago in Afghanistan have still not been completed. Examples include the construction of health facilities in Nooristan Province, of schools and dormitories for nomadic tribes, and a dam in Kabul Province.

## BUDGET CREDIBILITY CHALLENGE

Under-execution of the development budget is one of the main credibility issues in Afghanistan. Between 2008 and 2018, only 60 percent of the development budget was executed on average. However, the execution rate has steadily increased over the past five years. In 2014, the execution rate was 45 percent, while in 2018 it had reached 82 percent. There is significant variation in the sectoral execution rates of the development budget, though the range has narrowed over time. In 2018, sectoral execution rates ranged from 72 percent in Education to 91 percent in Health.

### EXECUTION RATE OF THE DEVELOPMENT BUDGET, BY SECTOR, 2014-2018

Sector	2014	2015	2016	2017	2018
Infrastructure	46%	52%	64%	70%	90%
Security	99%	75%	80%	108%	83%
Governance	25%	50%	42%	162%	83%
Agriculture	95%	57%	87%	63%	87%
Education	43%	41%	40%	35%	72%
Health	93%	72%	68%	94%	91%
Economic Governance	51%	51%	62%	78%	74%
Social Protection	32%	35%	55%	55%	82%
<b>TOTAL DEVELOPMENT BUDGET</b>	<b>45%</b>	<b>54%</b>	<b>54%</b>	<b>67%</b>	<b>82%</b>

Source: Year-end reports and budget execution reports by Ministry of Finance in Afghanistan

## WERE EXPLANATIONS FOR THE DEVIATIONS FOUND IN GOVERNMENT REPORTS?

Various documents were reviewed to uncover government justifications or explanations for the low execution rate of the development budget. These included: the approved national budget, mid-year reviews, monthly fiscal bulletins, budget execution reports, quarterly fiscal bulletins, year-end reports, and the annual audit reports. Some of the reasons that were put forth in official budget documents included under-collection of revenues, insecurity and withdrawal of international forces, poor planning, procurement problems, lack of accountability mechanisms, and procurement problems.

## DID THE GOVERNMENT AGREE TO BE INTERVIEWED TO EXPLAIN FURTHER?

Yes. Interviews were conducted with three budgetary units in which the execution rate was low in recent years:

- Ministry of Education: cited complex procurement process, bureaucracy, security issues, late disbursement of funds, and logistical issues.
- Kabul Municipality: referred to the low capacity of the employees and lack of procurement knowledge as the reasons for the low execution rate of the development budget in the years 2014-18.
- Ministry of Transport: explained that the low execution was caused by the lack of a strategic plan. And, the strategic plan was not produced due to the absence and low capacity of staff.

To learn why they fared better, interviews were also conducted with two ministries that had higher execution rates:

- Ministry of Public Works: explained that they have improved their planning process, and have designed a mechanism for public engagement in the implementation of projects which has improved the execution rate.
- The Ministry of Urban Development: stated that appropriate program and project planning, and accountability between the ministry and the companies, led to the higher execution rate.

## WERE THE REASONS PROVIDED BY GOVERNMENT ADEQUATE?

In existing reports, explanations are, at best, limited and general. The explanations that are provided do not adequately explain patterns across sectors or within the same sector over time. For example, in 2017, there was a jump in development budget execution for some sectors, but a decline for others. It is not clear which explanations could explain these types of changes, since general issues such as cash flow or procurement do not explain why some areas perform better than others. In 2015, the reports provide explanations at sector level, but the explanation for health is of high budget execution, even though the execution rate fell from 93 to 72 percent in that year. The additional evidence from interviews also falls short of explaining these variations. Reasons given generally fail to explain persistent allocations over time in spite of underspending. For example, with very poor execution consistently over time, it is not clear why the education budget continues to be given such large allocations.