

Afghanistan's new budgeting techniques

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Abstract

Correct and effective budgeting for country is essential to its economic development and progress. The budget is a crucial tool used by modern governments to control the economic financial policies of the nation. The budget of those nations has altered the rate of economic growth in terms of job creation, price stability, and the balance of international trade policies so that the interests of the society are more in mind, and it plays a crucial role in lowering income disparities between various segments of society. Program-based budgeting was implemented in Afghanistan in 2006 to connect the standard and development budgets of the ministries and link its strategic goals and policy priorities with the annual budget. Organizational budgeting is a specialist undertaking that plays a crucial function. The Afghan budgeting system requires fundamental reforms; a gap exists between the budgeting of government units and the responsibility of responding in the executive bodies of the government as a result of a lack of financial discipline, weak accountability, lack of transparency in the budget arrangement process, ignoring the facts in the budget arrangement, and ignoring the criteria for prioritizing allocations in the budget. The budgeting procedures of the Ministry of Finance may be established using the lessons learned from the experiences of the nations (England, Australia, Chile, and Egypt) that have training and capacity-building programs.

Keywords: Budgeting, Afghanistan, capacity building, accountability, and transparency

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Introduction

The most important document created by a responsible institution is its budget. It is clear that improper budgeting will result in errors in the allocation of resources in this crucial field and will cause great harm to the country at the national level. The importance of the budget in public universities is vital because of the significant role that universities play in the scientific and cultural orientation of the young generation in society (Gholizadeh and Kohnrooz, 2015: 41). As a result, budgeting is a useful management tool and is required to estimate and measure the performance of government departments. As a result, when developing the department, the individual plans of each department should be taken into account together with all areas of profitability (Amiri et al., 2010: 5).

The previous budgeting procedure in Afghanistan was a traditional procedure that did not permit independence, responding to societal needs, the involvement of all actors in the decision-making process, increasing efficiency, and creating enough motivation to take advantage of all available educational and research opportunities and capacities. As a result, program-based budgeting was introduced by the Ministry of Finance in 2016. (Martis and Huber: 2014).

The global budgeting process's history

Studies of historical data pertaining to the budget make it abundantly evident that the first action performed by the nation's administrators in order to produce the proper budget was to ascertain the true income of the government. A book called *Doomsday Book*, which is related to the farmed lands of England in the Middle Ages, is the earliest document now in existence about the budget. According to the contents of that book, the king may issue instructions to his administration and start the law to collect tribute. Later, their powers were constrained by the *Freedom Charter*.

In the past, a little leather bag was referred to as a *bouget* in French. This phrase was first applied to a tiny bag bearing the Ministry of Economy's mark in England. Unknown author denounced the minister of economy's policies in a book titled "*His Bag Opened*" and compared him to a magician in 1733, when the minister of economy of England presented accounts receivable and payable and the yearly financial report of the country to representatives of the people. The English word "budget" was slowly derived from the French word "budget," which also became widely used (Mirhosseini et al., 2019: 32).

In the seventeenth century, England saw the emergence of budgeting. The history of the House of Representatives' involvement in matters of budget and budgeting is intertwined with the history of international freedom. The political desire of the nation's representatives to control the government's revenues and expenditures should be considered when regulating the budget because if the king or government raised taxes without their parliament and without the control of the parliament, the people's treasury would be spent. For this reason, the government's income and expenditures gradually increased. Before the 19th century, when the will of the legislators in regulating and implementing the budget was acknowledged as one of the requirements of classical democracy, the parliament's permission was required.

Of course, in addition to the political ones, there are also financial ones that should be mentioned, as the government's income and expenditures in a document that shows public revenues on one side and government expenses on the other gives the public finances expenditure while also preventing waste of public property. Despite the significance of the public budget in governmental organizations and private businesses, the problem of preparation and budget proposal Recent years have seen a rise in the practice of placing the financial and administrative organization in accordance with how the budget is prepared and based. This process and its significance were established when elected representatives of the people were granted the authority to levy taxes and authorize public spending as a consequence of historical efforts and conflicts, first in England and later in other nations. The issue immediately became very important due to the establishment of the constitutional government and the need that exist for public oversight both inside and outside the country (Ebrahimi, 2004: 44).

In England, the oversight of expenditures and approval of governmental and administrative costs were first instituted by Parliament in 1344. The use of public finances by the government and the administration was to be discussed in the parliament of the parliament for the first time that year, in addition to approving the taxes and charges. Even though this idea was stated in the British Parliament from that point forward, the administrations naturally disagreed, and only the Parliament occasionally succeeded in collecting bills from the government regarding expenditures made or public monies. With a lot of pressure, it was eventually able to compel the government of that nation to provide the parliament with more detailed information and annual bills detailing the costs of the government apparatus. When the government wanted to impose a new tax to cover its deficit and submitted that tax to the parliament for approval, the parliament was successful in pressuring the administration to submit such a bill and details about the government's costs. In China, the parliament occasionally requires the government to prepare and submit bills of government expenditures and demonstrate the necessity of such expenditures (ibid: 101-102).

The right to interfere in the nation's budget was made possible by the rebellions of the British nation in 1688 under "Charles II," the United States of North America (following the independence wars of 1775–1783), and the great French revolution in 1789.

The nation's representatives' first role in budget and taxation was minimal and subsequently expanded. The first comprehensive book produced in Persian, Ideas of Finance, by Dr. Mohammad Mossadegh, discusses the budget, budgeting, and general financial principles. Jacques I of England disbanded Parliament after failing to achieve a tax agreement there. In 1631, he levied a number of taxes that caused confusion throughout the country due to one taxpayer's error in paying HAMPDEN for twenty shillings of the aforementioned taxes.

The sultans wished to reduce the interference of the people for their own advantage because in England the people did not pay taxes without the consent of the representatives. The law of March 25, 1817, the approval of September 1, 1827, and the expenditure of the Parliament's involvement in all financial concerns put an end to this conflict in France. This approach was common until the First World War, when governments stopped interfering in economic matters and, to a certain extent, turned to taxation to maintain the public order and uphold the triple budgetary precepts of the classical economists.

The significance of the government's role increased with the outbreak of the First World War, the Great Depression of 1929, and the Second World War, as well as the assertion of Keener's scientific justifications for government interventions in economic affairs and the abnormal conditions of crisis and inflation. The government's influence significantly increased with the implementation of 5-year plans, in particular.

After the Second World War, governments took extreme measures to implement expansionary fiscal policy (increasing government spending, budget deficit, etc.), which resulted in social unrest brought on by inflation at the national level and monetary and financial chaos at the international level, necessitating financial restraint, monetary restraint, budgeting, and the free market system at the financial level.

Budgeting in Afghanistan through the years

In Afghanistan, the initial planning and execution of the financial systems happened at the same time as the first systems of governance. Although there are no records to support it, some social and historical research suggests that there was a revenue and expenditure office operating throughout the Ghaznavid era. The Marja known as Diwan-e-Ala carried out the nation's financial and administrative functions during the rule of Ahmad Shah Baba. Finally, the government's accounts were based on journal books in 1298 A.H., just before Afghanistan gained its independence under the reign of Amanullah Khan, and they were set up in accordance with the concepts of context and reform. Principles of context refer to the manner in which information is presented, while reform refers to the method by which the government accounts are compiled at the end of each financial year. The government revenues were fixed in the existing account or current accounts based on the accounts from the prior year because the budget system did not yet exist in its modern and current form, and the government expenses were implemented without prior planning or forecasting. The budget system as we know it today did not exist, as the government's revenues were fixed based on the previous year's accounts in the existing account or current accounts, from this date until 1298, i.e., prior to Afghanistan's independence. Instead, the government's accounts were based on journal books. Without prior planning or forecasting, government expenditure is carried out. The office principles, which included five offices, were superseded with the reform principles in 1299 A.H. All government accounts were sent to and concentrated in the capital for the whole year in accordance with these accounting principles. These tenets persisted until the year 1303 AH, when tuition tenets took their place. According to these principles, the government accounts are arranged monthly, which is why they are known as the tuition principles. The difference between the tuition principles and the book principles is that the government accounts in the former are arranged annually while those in the latter are arranged monthly (Aref, 2010: 33)

Changes to the government's accounting system were implemented in 1315 on the recommendation of the Italian Gino Mancholi. The executive and control branches were tasked with document organization, and the accounting divisions with document calculation. The administrative structure of the country was modified after it attained independence. To develop affairs, organizations named supervision and ministry were initially founded. The

Ministry of Finance was one of these organizations. In the center and in the provinces, its agencies were founded. Naib al-Hokumah and a defender served as the provinces' financial representatives (Ministry of Finance of Afghanistan, 2017).

The double system was first presented by Niaz Shahin Turki in 1332, but it was never finished. In 1338, the American PIS Institute created and implemented the government budget in its current format.

Significant amounts of foreign aid were used to build the security and infrastructure sectors and strengthen the Afghan government's capability after the Taliban rule was overthrown and the Bonn Agreement was signed. As a means of creating a national budgeting, the Afghan government implemented various reforms in public financial management and governance. To reassure funders that the use of foreign aid is transparent and responsible was one of the key drivers. To promote budgeting as a crucial tool for implementing policy, the government created national programs and included them in the national budget. Later, to institutionalize and centralize tax collection, budgeting, and expenditures throughout the entire government, the public financial management system—still known as the public financial management information system—was developed (Ministry of Finance, 2014).

Afghanistan's role in global program-based budgeting history

Companies that sought advantages and profits brought about the idea of budgeting in the private sector by matching their costs to the outcomes they sought from their activities; linking data; and assessing the efficacy and value of their investments. The US Department of Defense used program-based budgeting for the first time in the public sector in 1960.

The Afghan government implemented program-based budgeting in 2015 to connect the standard and development budgets of the ministries and to align its strategic goals and policy priorities with the annual budget. In order to create the budget for 2016, program-based budgeting was initially implemented in three experimental ministries (the Ministries of Education, Health, and Rural Development). Four additional ministries received budget preparation on a trial basis in 2017. (Ministry of Agriculture, Ministry of Energy and Water, Ministry of Public Works, and Ministry of Finance). After receiving favorable feedback, the trial budget process will be sent to eight relevant ministries, and additional budget units were introduced to prepare the budget for 2013 and four subsequent years (Ministry of Trade, Ministry of Telecommunications and Technology, Ministry of Defense, Ministry of Higher Education, Ministry of Labor and Social Affairs, Ministry of Martyrs and Disabled, Ministry of Transportation, and the Independent Directorate of Local Bodies). To create the budget for 2011, program-based budgeting was implemented in the remaining 35 budget units in 2010.

All of the ministries submitted their plans to the Ministry of Finance in 2013 in accordance with the format in order to go on with implementation.

Benefits of program-based budgeting

- A strong and obvious link between the ministries' objectives and top priorities.
- A breakdown of all costs associated with particular services rendered without taking into account how the relevant ministry would finance them from the regular or development budget.
- Effectively enables the budget allocation decision-making process.
- The management of financial resources inside of ministries.
- Adding more money to the government's main budget from the foreign budget (Amjadi, 2016).

New techniques for budgeting

1. BUDGETING BASED ON ZERO
2. Activity-Based Budgeting, second (ABB)
3. THE OBJECTIVE-BASED OBJECTIVE (ABO)
4. flexible IN BUDGETING (FB)
- Five. ROLLING BUDGETING (RB)

۱. zero-based budget:

The cost of what was spent the previous year is used as a starting point when creating a budgeting. Writing or creating a new budget involves determining which expenses should be cut and which activities should be included. As a result, management develops a bias to continue or discontinue a certain line of activity.

The creation of budget proposals and alternate spending levels that are organized into decision packages is a part of zero-based budgeting. The accountable managers at the lowest levels of the business, who are able to create the budget request, compile these packages. Alternative choices that allow for a final utility analysis and comparison are produced and rated in this way (Ahren & Chapman, 2002).

۲. Activity-Based Budgeting

This system's objective is to depict the relationship between the resources that the company intends to use in the production of its goods. With the aid of ABB, it is essential to concentrate on producing the goods that ensure the organization's success before allocating additional resources to those tasks that enable it by managing human resources, such as money, time, and human resources (Chin & et al., 2008).

۳. objectives based Budgeting

Some nations refer to this budgeting as "envelope budgeting." Goal-based budgeting is top-down rationing in which the choice of solutions at the bottom informs the top-down establishment of priorities and constraints. The central government units are asked to submit their budgets within the boundaries of the targets or envelope ceilings under this style of budgeting (Marc & et al., 2005).

۴. ROLLING BUDGETING

Since the middle of the 1970s, this way of budgeting has been known. This technique was applied during the first oil shock brought on by the 1973 war between Egypt and Israel, as well as the unrest and economic activity in the industrialized nations. In order to allocate each cost in accordance with the income, each program's necessary costs are first classified based on the degree of necessity and importance of the activities (Pakmaram & et al., 2012).

Afghanistan's national budget's intricacy

For the following reasons, Afghanistan's national budget is considerably more complicated than those of other nations.

1. Political unrest has an impact on Afghanistan's budget structures and procedures. The successful introduction of public financial management systems has been hampered by this.
2. Because foreign donors' help makes up a significant portion of Afghanistan's national budget, their contributions have impacted the foundation of the country's economy and are taken seriously when Afghanistan's national budget is prepared each year. Because of this, the Afghan government is unable to manage the enormous amounts of money that foreign donors are sending to the nation.

Budget implementation challenges in the nation

1. Resource limitations and capacity constraints
2. Human resources and complexity
3. intricate laws, systems, and processes
4. Budget process administrative corruption
5. A lack of efficient procedures for accountability

Conclusion:

In Afghanistan, the budgeting process was inefficient and ineffective prior to the implementation of the plan-based budget system. In order to do this, the Afghan government's

Ministry of Finance introduced a classification-based budget system in 2007. These are a few advantages of program-based budgeting that might be mentioned.

- a close connection between the ministries' objectives and requirements.
- the procedure for making decisions about the efficient use of budgetary resources.
- the management of resources, including financial, within the ministries.
- transferring additional money from the government's primary budget to the external budget.

However, there are problems with adapting this system to problems such a lack of funding, a lack of specialized human resources, complicated laws, processes, and procedures, corruption in the administrative process, and a lack of efficient accountability mechanisms. It is recommended that the Ministry of Finance arrange training and capacity-building programs for the technical staff of the ministries, monitor the ministries' development, and give the ministries additional advice.

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