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COMMUNITY-BASED PARTICIPATORY FINANCIAL PLANNING AND PEACEBUILDING

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INTRODUCTION

Public financial planning is an intrinsically social process. The formulation of budgets should bring citizens, officials, and civil servants together. The main focus of public financial planning should not be limited to revenue collection and project cost projection. Instead, it should include empowering democratic citizenship and enhancing good governance in the long run. The target should be identifying innovative solutions to complex problems by utilizing existing community-based resources and institutions. Contextual solutions will drive successful outcomes, which will guarantee satisfactory conclusions. For instance, if financial planning eases tensions and secures villages, more financial capital will automatically flow into those villages. Investors with innovative ideas will invest, which will create jobs and generate revenues.

Community-based financial planning is a process that makes citizens in rural areas and villages active agents—not passive recipients. Agents play roles in defining the rules of the games and playing the games, while recipients only receive what others deliver. Reforming the process might require redressing and adjusting the rules to respond to the needs, but it should reflect the public view, and it should be aligned with the public's conventional wisdom.

However, public knowledge is underestimated in developing and fragile states. The pre-assumption is that ordinary citizens do not have the capabilities to get involved in complicated and technical processes such as development initiatives and financial planning. This assumption is not valid. The public may not have the bookish knowledge of technical processes such as financial planning. Still, they have the skills and contextual expertise to offer solutions for complicated national phenomena. Further, in a war-torn society like Afghanistan, people have gone through hard times, dealing with overwhelming problems such as poverty, lack of public services, and deprivation of fundamental rights. Harsh experience has forced them to develop entrepreneurial mindsets and the capacity to innovate solutions to the complex issues they have dealt with for years in conflict- and war-affected zones.

So far, the main focus of public financial management (PFM) reform in Afghanistan is devoted to the line ministries. Little attention has been given to the provinces, but the effort has not been extended to district levels. This system might have been initiated from the donors' point of view. They do not see subnational entities' reforms as priorities, and thus they heavily focus on the central PFM systems.¹ In many cases, this method is justified as a so-called 'systematic approach.' Given the presumed lack of capacities at the subnational level, reform starts at the top and gradually expands from top to bottom. A common argument from donors is that; Let us strengthen the PFM in the central ministries before they are rolled-out to the lower levels. This approach is neither inclusive nor effective. Successful service deliveries to the public require cohesive approaches with the scale to cover the overall implementation arena of reform. It is true that line ministries are responsible for reporting and coordinating

1 Fritz V, Fialho Lopez AP, Hedger E, Tavakoli H, Krause P. Public financial management reforms in post-conflict countries. Synth Report Washington, DC World Bank. Published online 2012.

budget planning; however, provincial and subnational levels are the central implementing units. Without reform and capacity building at the subnational level, the PFM reform, mainly financial planning, cannot be effective.

This paper provides policy recommendations on community-based participatory financial planning and peacebuilding. It elaborates on the mechanism through which communities can get involved in decision-making and the process of resource allocation. The purpose is to encourage policymakers to value and enable civic engagement and the democratization of financial planning. Hence, the upcoming section elaborates on communities in the context of financial planning. The second section explains the need to extend the process to the village-level, and how that can contribute to the peacebuilding process. The last and final section provides summaries of policy recommendations.

COMMUNITY IN THE CONTEXT OF FINANCIAL PLANNING AND DECISION MAKING

Community-based financial planning refers to the process through which citizens decide on the allocation of public financial resources. Community and elected officials work with the government to identify and prioritize needs and craft proposals on how public funds should be spent.² The core concept in community-based financial planning is civic engagement in decision-making. Four principles are widely considered foundational for community-based financial planning; 1) the improvement of public service deliveries and infrastructure; 2) direct citizen participation in resource allocation and decision-making; 3) the fight against corruption through fiscal transparency, and 4) the promotion of a political culture in which citizens serve as democratic agents.³ Overall, community-based participatory financial planning's primary goal is to create conditions and structures that empower the effective exercise of democratic citizenship.

The origin of community involvement in financial planning traces to 1989 in Porto Alegre, Brazil.⁴ After two decades of social fragmentation and institutional distortion, the budgeting initiatives offered Brazil the possibility to reimagine the state. Remarkably, the process helped legitimize the state by effective and transparent redistribution of financial resources.⁵ Community involvement increased the quality of service delivery by enhancing social well-being and decreased infant mortality rates.⁶ The initiatives enabled the government to build trust and assure the public of its legitimacy and service delivery ability.

2 Gilman H. Engaging citizens: Participatory budgeting and the inclusive governance movement within the United States. Ash Center Pap Ser. Published online 2016.

3 Goldfrank B. The fragile flower of local democracy: A case study of decentralization / participation in Montevideo. *Polit Soc*. 2002;30(1):51-83.

4 Wampler B. *Participatory Budgeting in Brazil: Contestation, Cooperation, and Accountability*. Penn State Press; 2010.

5 Goldfrank B. Lessons from Latin American experience in participatory budgeting. *Participatory budgeting*. 2007;143:91-126.

6 Gonçalves S. The effects of participatory budgeting on municipal expenditures and infant mortality in Brazil. *World Dev*. 2014; 53:94-110.



It reassured citizens, who had experienced the hardship of fragmentation and dictatorship, by involving them in decision-making and allocating resources for their needs.

Community involvement in financial planning is practiced across the five continents. Following Brazil, countless public participation and engagement initiatives are practiced in Latin America. The budgeting process has become a vital instrument of citizen participation and democratic governance across all the regions.⁷ For instance, Bolivia initiated decentralization reform in 1994, and civic engagement in the budgeting process was the main component of the reform.⁸ Peru started experimenting with participatory budgeting at the end of the 1990s and achieved tremendous results, which encouraged them to make the practice compulsory for the subnational level. In Colombia, civic participation is enshrined in the national constitution as a critical element of the democratic state. Civic participation is a fundamental right.⁹ The practice has been extended to several other countries in the region, such as Paraguay and Chile.

Countries in Europe have also practiced civic engagement for promoting democratic and good governance practices. For instance, in 2009, Poland passed a law to channel resources through local administrations for enhancing democracy in villages. The so-called “Solecki Funds” enabled the public to prioritize their need for improvement of their environment. The experiment extended to Poland and other parts of Europe, such as Germany, France, and Italy.¹⁰ Similarly, developed countries such as the US and Canada have also practiced civic engagement in financial planning. Canada started experimenting in 1999 in the city of Guelph, and a district of Montreal called Mont-Royal. In the United States, it was implemented in New York and Chicago in 2009; the process involved resource allocation through co-decision making and public deliberation. Participatory budgeting has mobilized and promoted good governance in other continents as well. For instance, in Armenia, Russia, and the Baltic states, transparent budget preparation with civic engagement has enhanced the quality of governance.¹¹

The mechanism through which communities are involved in financial planning depends on where the initiatives are implemented. Generally, citizens identify their needs. Government articulates the budget and coordinates with the neighboring communities, districts, and provinces. Government officials perform cost-benefit analyses and share the information with the public. The calculations are performed based on the local priorities, considering the population and estimated efficiency of neighboring communities.¹² Those analyses are

7 Herzberg C, Sintomer Y, Allegretti G. Learning from the South: Participatory Budgeting Worldwide – an Invitation to Global Cooperation. Vol 25.; 2013.

8 Santos FM. A positive theory of social entrepreneurship. *J Bus ethics*. 2012;111(3):335-351.

9 Allegretti G. From skepticism to mutual support: towards a structural change in the relations between participatory budgeting and the information and communication technologies? *Legitimacy 20 E-democracy Public Opin Digit Age*. Published online 2012:145-182.

10 Sintomer Y, Herzberg C, Allegretti G, Rç cke A, Alves ML. Participatory budgeting worldwide. *Dialog Glob*. 2013;(25):1-93.

11 Shah A, ed. Participatory Budgeting. The World Bank; 2007. doi:10.1596/978-0-8213-6923-4

12 Baiocchi G. *Militants and Citizens: The Politics of Participatory Democracy in Porto Alegre*. Stanford University Press; 2005.



shared with the public. Based on this information, communities decide on which projects to select. Throughout the process, communities have access to all the information they need to make an informed decision. Government officials are supposed to provide information such as the government's spending capacity, short-run, and long-run fiscal stability, and other required information. Such processes build trust between the public and the government; they give communities a sense of ownership and make them responsible for sustaining peace and development initiatives.

Reviewing the practice of civic engagement across different continents shows that it has promoted good governance, democracy, and public wellbeing. War-affected countries and fragmented nations have used participatory budgeting to enhance civic engagement and build trust among citizens. Considering those experiences, participatory budgeting is expected to help Afghanistan, promote good governance and peacebuilding and, very importantly, fight against corruption. The causes of war and peace in Afghanistan rest in the rural areas. History shows that government and public conflicts have started in rural areas.¹³ Hence, sustainable peace requires civic engagement in public financial resource allocation. The following section further elaborates on the need for extending financial planning to the villages, and it elucidates how that can contribute to the peacebuilding process.

THE NEED FOR EXTENDING FINANCIAL PLANNING TO DISTRICTS AND VILLAGES

Conflict-affected countries such as Afghanistan are trapped in a multidimensional equilibrium driven by poverty, high level of conflicts, weak formal institutions, and low levels of trust. Inclusive sets of solutions are required to tackle the problems. The national process of financial planning should be extended to the villages to enhance the inter-nation relationship and the relationship between the government and its citizens. Doing so will build trust among the public and create a sense of ownership of development projects around the nation. Creating a sense of ownership among the villagers will enhance the quality of development projects and protect national infrastructure against insurgent and violent groups. Experience shows that insurgent groups have demolished national infrastructure such as roads and bridges in Afghanistan. Once the ownership of the projects has been transferred to the villagers by including them in financial planning and the monitoring of the implementation phase, no one would be able to destroy them again. The following are the main reasons behind the need for suggesting community-based participatory financial planning.

Community involvement in financial planning improves effectiveness and legitimacy. Engaging citizens in governance and decision-making makes the national process more collaborative, involves more voices in decision-making, and supports the principles of democratic governance. It gives the government opportunities to work with the public, discuss their needs, and decide on allocating budgets for what matters for their future and wellbeing. These

13 Wafayezada MQ. *Ethnic Politics and Peacebuilding in Afghanistan: The Root Causes of Political Conflicts and the Problems of Democratic Transition*. Scholar's Press; 2013.

practices have the potential to improve government efficiency.¹⁴ Notably, such a process gives minorities and marginalized residents chances to collaborate with the government and with each other.¹⁵ This method of financial planning has been effective in developed countries as well. For instance, a similar initiative helped many marginalized residents collaborate with the government in New York City.¹⁶ In fractured nations such as Afghanistan, collaborations between citizens and the government enhance government efficiency and contribute to peacebuilding and state legitimacy.

Public participation in financial planning leads to greater transparency and accountability. Through community-based financial planning, citizens will be educated about the allocation of resources. Those who are involved in the process will act as audit and control agents. With knowledge and information about budget allocations, the public can better monitor local offices and even the elected officials at the national level.¹⁷ Official authorities and their implementing partners will not have the chance to mislead and divert public resources for their own benefit. The high level of corruption and the lack of transparency in public expenditure are among Afghanistan's main problems. This is not limited to the government; donor-funded projects outside the government are also prone to corruption.¹⁸ Public participation could be an effective mechanism to fight against corruption, which leads to better service delivery and enhancement of the peacebuilding process.

Public participation in financial planning will align Afghanistan's peace process and development initiatives with international standards such as Sustainable Development Goals (SDGs). The engagement of citizens in governance is part of the international convention. SDGs encourage bottom-up approaches and broader civic engagement in various development aspects.¹⁹ Importantly, international organizations such as World Bank and United Nations promote the practice worldwide.²⁰ SDG Goal 16 clearly emphasizes promoting peaceful and inclusive societies and institutions for all.²¹ For Afghanistan to align its development and peacebuilding initiatives with sustainable development goals, it is essential to engage communities in the financial planning process.

14 Shah A. Participatory budgeting in Asia. In: Shah A, ed. *Participatory Budgeting*. The World Bank; 2007.

15 Noveck BS. *Wiki Government: How Technology Can Make Government Better, Democracy Stronger, and Citizens More Powerful*. Brookings Institution Press; 2009.

16 Kasdan A, Markman E. Participatory budgeting and community-based research: principles, practices, and implications for impact validity. *New Polit Sci*. 2017;39(1):143-155.

17 De Sousa Santos B. Participatory budgeting in Porto Alegre: Toward a redistributive democracy. *Polit Soc*. 1998;26(4):461-510. doi:10.1177/0032329298026004003; and Pateman C. *Participation and Democratic Theory*. Cambridge University Press; 2014. doi:10.1017/CBO9780511720444

18 Rubin BR. Constructing sovereignty for security. *Survival* (Lond). 2005;47 (4): 93-106. doi:10.1080/00396330500433357

19 Ford L. Sustainable development goals: all you need to know. The Guardian. <http://www.theguardian.com/global-development/2015/jan/19/sustainable-development-goals-united-nations>. Published 2015.

20 Gilman H. Engaging citizens: Participatory budgeting and the inclusive governance movement within the United States. Ash Cent Occas Pap Ser. Published online 2016; and Shah A. Participatory budgeting in Asia. In: Shah A, ed. *Participatory Budgeting*. The World Bank; 2007.

21 Palmer E. INTRODUCTION: The sustainable development goals forum. *J Glob Ethics*. 2015;11(1): 3-9. doi:10.1080/17449626.2015.1021091

Community-based financial planning will create inclusivity. The new spectrum of governance in the post-war era should be inclusive, where everyone must see himself involved in it. The villager in the east, the coal miner from the north, and the farmer from the south should have the same voice as those wealthy inhabitants of big cities and the country's capital, Kabul. Further, the new political regime should enable those poor villagers to transform their living standards by giving them chances to participate in the national process. Importantly, through national processes, such as public financial planning, they should be enabled to transform their informal economy and unfreeze their dead capital to functional and market-driven assets to generate revenues. This enabling environment will create jobs, generate revenue for the government in the long run, and contribute to the sustainable peacebuilding process. Currently, Afghanistan is divided and fragmented. Inclusive policy and civic engagement in national processes such as participatory public financial planning will contribute to social mobilization and national solidarity for peacebuilding.

The other need for community-based participatory financial planning is contextualization and the localization of development initiatives. In the postwar era, the process of resource allocation should be designed in view of local contexts. Such models should not be copied from other countries. Importing international practices is harmful because they do not comply with the institutional requirements and contexts of war-affected countries.²² Developed countries that use those models have different political and social contexts. Revenue streams and political stability differ from one country to the other. For instance, those countries might have experienced law and order for years, but one of Afghanistan's main problems is the discontinuation of political systems and deviation from the rule of law. Patronage and a clannish governance system have deteriorated the fundamental democratic institutions. This must change in the post-war era. The public should be involved in every sphere of governance and decision-making.

Community-based financial planning builds trust and extends the notion of cooperative brotherhood. The process brings people from different tribes and ethnicities together and builds trust. At the planning phase, government officials should approach the community to list their local priorities and ask them to be the primary observer and nontechnical quality controller for the implementation phase. Ethnic conflict has contributed to the long-lasting war in Afghanistan. Improving social relationships can help to resolve those problems. Like a failed corporation, governments in most war-fragile countries fail to produce value for their citizens and cannot restore trust.²³ Hence, it is necessary for the post-war government in Afghanistan to build trust using any tools available, such as participatory financial planning.

Coordinating peace initiatives and government activities with the local community creates resilience against local security threats. Local communities are familiar with the ups and

22 Allen R. The challenge of reforming budgetary institutions in developing countries. IMF Work Pap. Published online 2009:1-28.

23 Ghani A, Carnahan M, Lockhart C. Stability, State-Building and Development Assistance: An Outside Perspective. Princeton Project on National Security, Woodrow Wilson School of Public and International Affairs; 2006.

downs of their environment. They know the connections and can identify and prevent potential threats that might turn violent. There are examples of such cases in Afghanistan. For instance, community and local shuras stopped militant interference in a district of Wardak province for several months.²⁴ In similar cases, local communities in Ghazni province had considerable success in mitigation and prevention of Taliban occupancy. The community protected their value and enhanced women's rights, and they retained education for girls as a priority.²⁵ Hence, it is crucial to engage the community in the process and prevent the destruction of national infrastructure.

Better alignment of financial expenditures with public needs is another reason for extending financial budgeting to the community level. The communities can identify their needs better than others. Using public knowledge for determining needs promotes the development of more effective and efficient service delivery. Development needs might be similar; however, priorities can differ. Villagers in rural areas might need something different from the inhabitants of big cities. For instance, connecting villages to the city by building basic infrastructure may be the most important priority for the rural population. However, to transform the economy, it is essential to connect big cities and provinces by major highways. Hence, to align the financial resource with the public need, it is crucial to promote participatory budgeting in Afghanistan.

Public financial management can promote good governance by enhancing service delivery. The process requires strong planning offices to facilitate the initiatives with the local shuras. This provides an incentive for public administration to establish a new local office and reform the existing structures. In this way, reform agendas promote increased efficiency in public bureaucracies, leading to better service delivery.

In addition, civic engagement increases long-term public investment. Experience shows that civic engagement leads to increased delivery of essential services. Facilities to deliver primary health care, schools, sanitation, etc., are established in poor villages.²⁶ This is because the process included communities from those villages who previously did not have the privilege to participate in the decision-making. Yet, now they have a voice and demand resources to address their needs. Therefore, to promote good governance by enhancing service delivery, Afghanistan should promote civic engagement in financial planning.

The other extreme need for civic engagement in financial planning is encouraging gender participation in the development and peacebuilding initiatives. In paternal societies such as Afghanistan, balancing gender in public and even in the private sector is challenging. Social culture discourages women from taking part in democratic public and private activities. Processes such as civic engagement in public financial planning are chances to elevate women's voice in society. For instance, gender participation was a problem in Argentina. In

24 Waldman M. Community Peacebuilding in Afghanistan. Oxfam Int. 2008; 29.

25 Suleman M, Williams S. Strategies and Structures in Preventing Conflict and Resisting Pressure: A Study of Jaghori District, Afghanistan, under Taliban Control. Cooperation for Peace and Unity; 2003.

26 Francis P, James R. Balancing rural poverty reduction and citizen participation: The contradictions of Uganda's decentralization program. World Dev. 2003;31(2): 325-337.

2003, gender budgeting was developed to increase female participation in citizen activity, create gender equity, and combat gender prejudices. The program's impact was huge as it tackled everyday obstacles and triggered the mental blinders that caused gender imbalances.²⁷ Gender imbalance has remained a serious problem in Afghanistan. The post-war government should have strict measures to overcome this challenge. For sure, participatory financial planning is one of the tools that can target the gender imbalance.

STEPS AHEAD FOR COMMUNITY INVOLVEMENT IN DECISION MAKING

The importance of civic engagement in public financial planning is evident without any doubt. For war-affected countries like Afghanistan, it is crucial to use this tool to promote good governance and enhance democratic citizen activities. Using this tool, the government can build trust and encourage the community to participate in the development and peace-building activities. The following steps are recommended to facilitate civic engagement in overall public financial planning;

- Create clear procedures and workflow for civic engagement in public financial planning. It is essential to have precise internal and external coordination mechanisms between the district and provinces. The roles and responsibilities of the community in the districts and villages should be predefined. Each stakeholder should know their obligations and duties. Similarly, there should be clear procedures of coordination between the provinces. Some infrastructure projects are beyond the scope of one village, district, or province. There should be predefined mechanisms for coordinating resource allocation and harmonizing community support to implement those projects successfully. For instance, rebuilding Kabul - Kandahar highway is economically vital for Afghanistan. The highway connects several provinces, facilitates interstate transit, and contributes to imports and exports of goods and services. Involving communities at the village and district levels will reduce the cost of coordination and support project implementation.
- Establish inclusive structures for community financial planning. Elected officials such as the provincial council, government officials, district administrators, and other local actors with the local council/shuras should be involved in the process. It is vital to include marginalized minorities such as women and minor ethnicities. Village councils can prioritize the development and service delivery needs. They are in a better position to know what impacts their lives the most. District administrators and other government officials can align those needs with the government's capacity and resource availability. Elected officials should function as coordination bodies between the government and community and represent them at a higher level when coordination between provinces is required.
- Define an exact annual timeframe. Time management in financial planning and budget

27 Herzberg C, Sintomer Y, Allegretti G. Learning from the South: Participatory Budgeting Worldwide - an Invitation to Global Cooperation. Vol 25.; 2013.

preparation has been a common problem in Afghanistan. Experience shows that the annual budgeting process has exceeded its required timeframe, impacting government functionality and service delivery. Extending public financial management to the community level will further increase the complexity. More stakeholders will be involved and require more time and coordination. There should be a clear annual time frame with the calculation of the time needed for each process. The time calculation should include all the steps from the community's and villagers' involvement to parliament's final approval.

- Ensure accountability and a feedback mechanism. Accountability is required to ensure that the service delivery reflects the public will and resource allocations are matched with the essential needs. There are fears that specific groups might influence the participatory process and divert the resources for their benefit. An accountability mechanism should ensure equal opportunities and access to public resources for all citizens. Similarly, it is crucial to provide feedback on the community's performance, outcomes, and sub-national government agencies' decisions. In many participatory processes, participants never receive feedback about whether or not their proposals are accepted. This discourages participation and demotivates future participation. Feedback and accountability can be encouraged by providing information through local radio and television, newspapers and reports, or direct communication through the district administrator's office.
- Create unified platforms to collect proposals and submit feedback. Initiating ideas for the financial planning from the villages to the district, province, and finally to the line ministries is complex and time-consuming. It will require immense effort to consolidate an individual community's ideas in a national plan. There should be unified platforms to enhance the planning process and the overall national budgeting workflow. Communities across the villages and districts can use those forms to submit their ideas. A similar platform should be defined at the district level to consolidate and share those ideas with the province. The platform should require provinces to make adjustments and submit to the line ministry for further consolidation and consideration. Having a unified platform enables line ministries to consolidate the financial plan from all over the country and include them in one comprehensive national financial plan.
- Incorporate community-based budgeting into the formal structure of public financial management. Integration of local practices with formal procedures will increase productivity. Streaming different approaches will waste time and resources. Civic engagement in financial planning creates multi-level entry points. Managing those engagements requires public officials to spend more time directly with the community. It takes the time that they could use for completing other official tasks. However, these efforts are needed for sustaining peace initiatives and development activities. Hence, the process must incorporate community-based financial planning into the national financial management structure to encourage participation and ensure efficiency.

Heart of Asia Society (HAS), founded in 2019 in Kabul, is an independent Afghan think tank working to expand research and dialogue in Afghanistan and among countries of the Heart of Asia region. HAS prioritizes support to the ongoing peace process in Afghanistan, with a special focus on conducting research and facilitating dialogue aimed at garnering regional consensus and support for Afghan peace. Please read more on our work at: www.heartofasiasociety.org



