

The Conundrum of Policy Stability: The Case of Afghanistan's Centralized Planning and Budgeting Policies

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This paper explores why Afghanistan's centralized planning and budgeting policies, despite consistent failure to improve local participation and allocative efficiency, remained stable. Based on policy feedback theory, there are two explanations. First, policy actors, given their interests, often tend to keep the status quo unchanged; and second, policymaking processes play a facilitative role for policy actors. This paper explains how centralized policymaking processes enable policy actors to bypass specific constraints of institutional environment such as agenda setting, principal-agent dynamics, information symmetry, and credible commitment to keep certain policies unchanged. With the recent collapse of Afghan state, the Taliban would most likely continue the centralized planning and budgeting policies given their past governance approach and their recent performance.

Keywords policy stability, lock-in effect, political economy, centralized policy process, Afghanistan

Introduction

Afghanistan's centralized planning and budgeting policies, during the last twenty years of US state building, did consistently fail to improve local participation and allocative efficiency. These centralized policies did not facilitate meaningful local participation in the planning and budgeting processes; thus, only a small percentage of annual budget reflects local preferences and needs. The data on the percentage of locally proposed projects in annual budgets show a declining trend: 33.5% in 2016-17, 11% in 2017-18, and 14.2% in 2018-2019 (Afghanistan's National Budgets). Instead, the annual budgets mostly reflected the Afghan central government's tactical use of public funds to purchase political capital (Qadam Shah 2021). Despite such failure, efforts to decentralize planning and budgeting processes to improve local participation and allocative efficiency were

not successful in Afghanistan; thus, leading to the stability of the status quo, undermining the capacity of local administrations to provide public goods, and ultimately wasting huge amounts of international funding to reform planning and budgeting processes. This paper explains why these policies, despite their disappointing outcomes, remained stable in Afghanistan. Such a centralized planning and budgeting regimes undermined the very essence of governance: providing effective and efficient public goods and enhancing political legitimacy.

In doing so, this paper relies on the lock-in effect mechanism of policy feedback theory, which suggests policies, once enacted, would shape, and constrain the political behaviour and attitudes of a range of actors that in turn would affect future policymaking and policy alternatives (Patashnik 2008; Mettler and SoRelle 2014). In other words, policies, once enacted, create incentives that encourage the emergence of certain group of actors—whether public officials, bureaucrats, interest groups, or citizens—that make commitment to a given policy path (Pierson 1993, 608). This makes the adoption of once-possible policy alternative difficult, if not impossible. As such, this paper argues that the Afghan policy actors, especially the politicians given their strategic and policy interests in the existing centralized planning and budgeting policies, tended to keep the status quo unchanged.

A related line of literature emphasizes the role of policymaking processes in policy stability and change. Policymaking processes, given their designs and degree of centralization or decentralization, can facilitate or inhibit the domination of certain actors over the policymaking process (Andrews 2013), which would impact policy outcome through different stages of policy process (Grindle and Thomas 1989). Policymaking processes generally through four specific constraints of institutional environment can facilitate or inhibit collective action for policy change. Four constraints are agenda setting, principal-agent dynamics, information symmetry, and credible commitment. If policymaking process is centralized, certain actors gain significant policy influence, and the four constraints would not limit their power. However, under decentralized policymaking process, more actors would engage in policymaking process and the four constraints tend to prevent the concentration of power in the hands of few policy actors, especially the politicians, through different veto points. Decentralization ensures more inclusive and representative policymaking process.

So, this paper argues that Afghanistan's centralized, top-down governance system, which Afghanistan opted to continue like the former regimes, enabled the executive (the president and his close narrow circle) to dominate policymaking process while subordinating the National Assembly and local actors. The four specific constraints of institutional environment, under centralized policymaking process, proved incapable of limiting the powers of the executive branch. Agenda setting remained exclusive rather than inclusive; information asymmetry became the rule rather than exception; principals (the people and their representatives)

could not hold the agents accountable; and finally, credible commitment remained weak for changing the status quo.

This paper offers three main contributions. First, it applies the lock-in effect mechanism of policy feedback theory on a fragile state like Afghanistan while exploring how actors operate through centralized policymaking process to keep certain policies unchanged. Second, it provides a theoretically and historically informed trajectory of stability of centralized planning and budgeting policies in Afghanistan. And finally, it contributes to the expanding literature of state building and peacebuilding in fragile states by elaborating how certain actors, through centralized policymaking process, would prevent policy reform.

In terms of data, this paper relied on two sources of evidence. First, content-analysis of Afghanistan's fiscal policies, which include the Public Finance and Expenditure Management Law (APFEM 2005), the Financial Regulations (AFR 2006), the Provincial Budgeting Policy (APBP 2015), and the Provincial Development Planning Guideline (APDPG 2016) and the fiscal provisions of Afghanistan's 2004 Constitution. And second, in-depth qualitative interviews with key Afghan policy actors at the national and local levels.

The rest of this paper is structured as follows. Section two explores the literature of lock-in effect mechanism and political economy of reform in fragile states and elaborates on how actors through policymaking processes, influence policy outcomes. Section three describes the evidence used in this paper. Section four elaborates on the continuity of centralized fiscal policies in Afghanistan, explains rationales behind the adoption of centralized fiscal policies, assesses the nature and content of the fiscal policies, and introduces the actors derived from the centralized fiscal policies. Section five elaborates on the reform efforts, which failed to bear fruits in Afghanistan. Section six explains how the centralized policymaking process worked in Afghanistan during the last twenty years, assesses the functionality of the four constraints of institutional environment, and shows how the actors could resist the change to the status quo through the centralized policymaking process. Finally, section seven reflects the implications of this paper and concludes that public policies stick when actors dominating policymaking process (especially, in a centralized policymaking process) favour the status quo and that change (if any) would happen when benefits of change outweigh the cost for these actors.

Theoretical Perspectives on Policy Stability in Fragile States

To explain policy stability or change, studies in the literature of policy process and political economy of reform in fragile states provide significant contributions. In policy process literature, policy feedback theory basically argues that policies, once enacted, restructure and reconfigure politics that in one way or another

shape, influence, or constrain subsequent policymaking and policy alternatives (Skocpol 1992; Steinmo 1993; Steinmo, Thelen, and Longstreth 1992; Patashnik 2008; Béland 2010; Mettler and SoRelle 2014; Hacker and Pierson 2019; Béland and Schlager 2019). Pierson specifically 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).

Much of policy feedback literature is associated with historical institutionalism that relies on the logic of path dependence (Campbell 2004; Parsons 2007; Pierson 1993, 1994; Skocpol 1992; Thelen 1999; Weir, Orloff, and Skocpol 1988). Consistent with the logic of path dependence, the lock-in effect mechanism explains conditions under which political circumstances become locked-in and resistant to change (Pierson 1993). Lock-in effect mechanism, emphasizing the role of actors, suggests that policies create incentives for actors who make commitments to these policies and that such commitments, in turn, make real policy change difficult, if not impossible (Pierson 1993; Arthur 1994). In line with lock-in effect mechanism, Hellman (1998, 203-34) argues that certain actors who gain from partial reforms would insist on maintaining “a partial reform equilibrium that generates high private gains, but at a considerable social cost.”

Other than the lock-in effect mechanism, studies on the political economy of reform provide insights about policy stability or change in fragile states. These studies deal with why policies, with mixed and disappointing results, keep getting adopted and readopted (Andrews 2013). While also emphasizing the role of actors, they explain how domination of certain actors over and exclusion of others from the policy process result in the stability of certain policies in fragile states (Andrews 2013; Whittle, Suhomlinova, and Mueller 2010). Matt Andrews (2013) opens this discussion by arguing that policy reforms fail in fragile states because policies are “signals to make government look better, not as realistic solutions to make government work better.” For successful policy reform, Andrews emphasizes that multiple actors should be involved in policymaking processes, that policy content should address an already identified problem and reflect long-term goals, and that policymaking processes should be adaptive and learning-based.

Whittle, Suhomlinova, and Mueller (2010, 552) also emphasize the role of actors, arguing that exclusion of “deconcentrated actors” from decision-making process would result in the failure of an institution. They mainly argue that deconcentrated actors, (i.e., implementers of policies), should be involved in decision-making processes. Grindle and Thomas (1989), while emphasizing the role of actors, consider policymaking processes as important and examine actors’ influences in different stages of policy processes: agenda setting, decision-making, and implementation. While they emphasize that the characteristics of actors, circumstances around issue formation, and features of policy options determine

policy outcome, they do not elaborate on how policymaking processes would influence the role of policy actors.

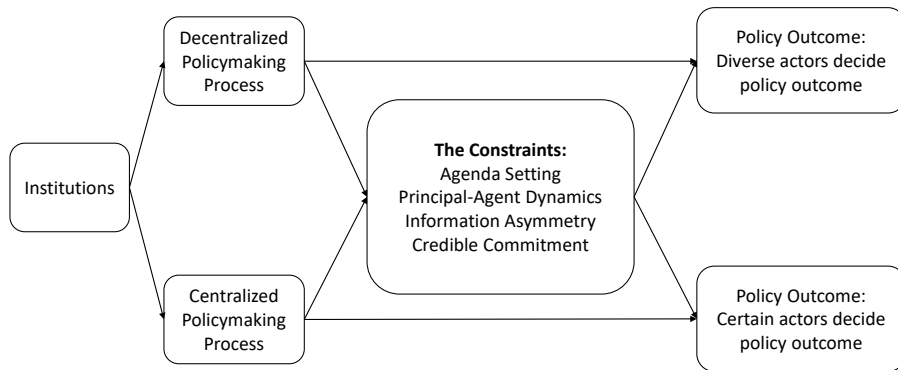
However, these two lines of literature have two shortcomings. First, the lock-in effect mechanism of policy feedback theory has been consistently applied on OECD countries with consolidated democracy, which in turn creates a gap in the literature. In this regard, there have been numerous calls by scholars to expand the application of policy feedback in developing countries (Béland 2010; Fioretos, Falletti, and Sheingate 2006). Second, the lock-in effect mechanism, overemphasizing the role of actors, fails to explore how policymaking process would influence the role of actors. While the political economy of reform literature discusses policymaking process, it falls short to explore how specific constraints of institutional environment, derived from policymaking process, would influence the role of actors and consequently the policy outcome. However, this paper fills these gaps by first applying the lock-in effect mechanism on Afghanistan; and second, by combining the contributions of these two lines of literature to make sense of how actors and policymaking processes together can influence policy stability and change in a fragile context.

Theory of Policy Stability in Fragile States

Building on existing studies, this paper argues the actors and policymaking processes have an interdependent relationship in a policy process, mutually influencing each other, and ultimately determining policy outcomes. This aligns with Skocpol's (1992, 58) famous argument that "politics create policies, [and] policies create politics." Accordingly, actors and policymaking processes mutually influence each other.

The actors, given their interests, initially influence the design of the policymaking processes in terms of the degree of centralization or decentralization. Such decision determines how specific constraints—such as agenda setting, principal-agent dynamics, information symmetry, and credible commitment—function to limit the concentration of power into the hands of certain actors. These constraints also ensure that policymaking process is participatory, responsive, accountable, and adaptable to the context. Irrespective of the design of policymaking processes, the actors continue to play their key role in the adoption, stability and change of certain policies. Again, the actors, considering their economic and political calculations, decide about different policies.

Once designed and put in place, the policymaking processes and the constraints derived from them shape influence the actors' behaviour and intention for collective action towards policy reform as the rules of the game (North 1990; Fritz and Levy 2014; Corduneanu-Huci, Hamilton, and Ferrer 2013). As this paper is not concerned with how the actors influence the design of policymaking

Figure 1. The Role of Institutional Constraints in Policymaking Process

Source: Author

processes, the rest of this section focuses on how the design of policymaking processes would facilitate or inhibit collective action towards policy change, or in other words, how policymaking processes would influence the role of actors in determining policy outcome. The policymaking processes, as sets of institutions, constitute the rules of the game and determine the roles and authorities of different policy actors—politicians, bureaucrats, voters, civil society, and people—in policymaking processes. So, it is important to examine the design of policymaking processes to understand how the actors influence policy outcomes.

If the policymaking process is centralized, certain actors would gain significant policy influence, act with no accountability, remain unresponsive to local needs, and ultimately, adopt policies incompatible with local conditions. In other words, the four constraints of institutional environment would fail to limit the powers of certain actors: agenda setting would remain exclusive rather than inclusive; information asymmetry would become the rule rather than the exception; principals (the people and their representatives) would not hold the agents accountable; and finally, credible commitment would remain weak for changing the status quo.

However, if the policymaking process is decentralized, more actors would engage in policymaking process and the institutional constraints would tend to prevent the concentration of power in the hands of a few policy actors, especially the politicians, through different veto points. In other words, agenda setting would be inclusive, principals would have the chance to hold their agents accountable, information asymmetry would be an exception, and ultimately, agents may credibly commit to adopt good public policies. Figure 1 illustrates the instrumental roles of the four constraints of institutional environment derived from the design of policymaking processes.

As far as the stability of Afghanistan's centralized planning and budgeting

policies are concerned, the rest of this paper examines how policy actors operate within Afghanistan's centralized policymaking process and how the four constraints functions in the case of Afghanistan. Informed by the literature, this paper shows how certain actors emerged after the adoption of centralized fiscal policies, made commitment to policies, and subsequently resisted any change through their domination over a centralized policymaking process.

Evidence

This paper relied on two sources of evidence. The first is the content of fiscal policies regarding planning and budgeting in Afghanistan. Specifically, this paper assessed the nature and content of the fiscal provisions of Afghanistan's 2004 Constitution, the Public Finance and Expenditure Management Law (APFEM 2005), the Financial Regulations (AFR 2006), the Provincial Budgeting Policy (APBP 2015), and the Provincial Development Planning Guideline (APDPG 2016).

The second source of evidence is in-depth qualitative interviews with key Afghan policy actors at the national and local levels. This paper conducted the interviews during four months of field research in late 2018 and used purposeful sampling to select the interviewees for this study. According to Patton (2005, 230), "the logic and power of purposeful sampling lies in selecting information rich cases to study in depth." Therefore, this paper purposefully selected a range of policy actors that were closely involved in the policymaking process in Afghanistan and at the same time had detailed knowledge and understanding of the policymaking process.

As a result, this paper interviewed more than 50 interviewees from different sectors in Afghanistan. These interviewees included central government officials, local administrators of five provinces, members of Afghanistan's National Assembly, civil society actors, and USAID advisors at the central and local levels that closely work with the central and local government in policymaking and policy implementation. Given the sensitivity of the topic, all interviewees requested to remain anonymous. So, the author suffices by just mentioning the provinces the interviewees are from.

Afghanistan's Centralized Planning and Budgeting Policies

Origins and Rationale

In 2001, Afghanistan started a new era of efforts towards state building and development along with creating a governance system capable of ensuring security, providing effective and efficient public goods, and enhancing political legitimacy. In doing so, Afghanistan adopted a highly centralized governance system, which

concentrated political, fiscal, and administrative authorities into the central government.

Afghanistan basically re-adopted the same governance institutions, which the former regimes used to implement, including centralized public finance management system. The origin of centralized fiscal policies goes back to 1880 when Afghanistan centralized all aspects of state for the first time. Since then, the subsequent Afghan regimes, even the Taliban, continued the same governance system until now. The Afghan regimes only added different layers of centralization to the old system. For instance, Afghanistan adapted to the Soviet Union (1950s-1980s) style of governance by adopting central planning through five-year development plans.

Throughout history, the Afghan central government and foreign powers have emphasized three normative justifications: (1) preventing fragmentation of state institutions; (2) enhancing the weak or non-existent institutional links between the centre and peripheries; and (3) mitigating low or lack of administrative capacity (Cramer and Goodhand 2002, 885-86).

However, the political economic factors provide a different rationale for the centralized governance system in Afghanistan. The literature suggests that foreign powers and local elites mostly favour a centralized governance system to achieve their ultimate interests (Lake 2016). For state builders, centralization makes the implementation of their regional policies, for which they decide in the first place to initiate state building, possible. For the local elites, however, who mostly prove lacking sufficient legitimacy, centralization facilitates their control over the system and remaining in power. The local elites would basically rely on the recourses, channelled by state builders, to purchase political capital and legitimacy (*ibid.*, 12). Given the rentier nature of state in Afghanistan, the local elites have consistently favoured centralized governance systems including centralized fiscal policies.

Content and Actors

Considering the main rationale behind Afghanistan's highly centralized governance system, this section elaborates on the nature and content of Afghanistan's centralized planning and budgeting policies and explains how these policies created certain actors who subsequently kept these policies unchanged. The first and foremost source is Afghanistan's 2004 Constitution. The constitution introduced a centralized, unitary state and proposed a centralized public finance management system where the central government gains excessive power and authority regarding taxation, planning, budgeting (formulation, allocation, and execution), monitoring and evaluation. According to article 75 (4), the Afghan government has the duty to "prepare the budget, regulate financial conditions of the state as well as protect public wealth."¹ Likewise, article 95 provides that "proposals for drafting the budget and financial affairs laws shall be made only by the government."² In terms of the administration, article 137 of the Constitution

emphasizes the principle of centralism: “the government, in preserving the principles of centralism, shall transfer necessary powers, in accordance with the law, to local administrations to accelerate and improve economic, social as well as cultural matters”³ This article confirms that local administrations are the integrated and extended hands of the central government that function as implementers of the central government’s directions with no decision-making authority.⁴

Consistent with the constitution, the Afghan government adopted both *Public Finance and Expenditure Management Law* (APFEM 2005) and *Financial Regulations* (AFR 2006). APFEM, serving as the legal basis for public finance, stipulated the obligations of the ministries related to public financial management and regulates 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, APFEM provided the Ministry of Finance (MoF) with the primary responsibility of preparing and executing the budget (APFEM, article 4). While not clarifying the roles and responsibilities of local administrations, APFEM, under its article 2, provides “all state administrations [including the central and local] will be subject to procedures set out in law in terms of budgeting and expenditure policies” (APFEM article 2). In addition to APFEM, the Afghan government adopted the AFR to specify financial affairs including, but not limited to, budget formulation, allocation, and execution. The AFR 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.”

The constitutional provisions and the two pieces of legislation highlight the excessive fiscal authorities of the president and Ministry of Finance over planning and budgeting (formulation, allocation, and execution) of public funds. As a clear example of excessive central government authority over public funds, this paper can refer to “contingency funds” in the Afghan annual budget that contains a huge amount of funds and authorizes only the president with direct access to those funds. These contingency funds can be used for any purposes that the president decides. Consistent with the very objectives behind the adoption of a centralized state in Afghanistan, the constitution and the fiscal policies enable the president and minister of finance to have direct, exclusive control and access over public funds. This in turn facilitated the central government’s efforts to gain political legitimacy and support to remain in power. As such, the central government could channel the resources, both domestic and external (provided by international community), to a narrow political coalition to guarantee acquiescence, if not active support, to itself.

Given the concentration of fiscal authorities at the executive branch, the other actors tend to join the central government—through their support or acquiescence to the central government—to gain access to the political and

economic resources of the state. As a result, a range of such actors join the central government that include certain political party leaders, members of parliament, governors, district governors, local and central bureaucrats, and tribal leaders (Qadam Shah 2021). This allows the central government to form a “minimum winning coalition” with these actors who in turn helps the central government to remain in power and enhance its legitimacy in the eyes of the people. It is worth mentioning that there always existed opposition groups to the central government policies, but as long as the central government formed the “minimum winning coalition,” the opposition could not stop or effectively influence the central government policies.

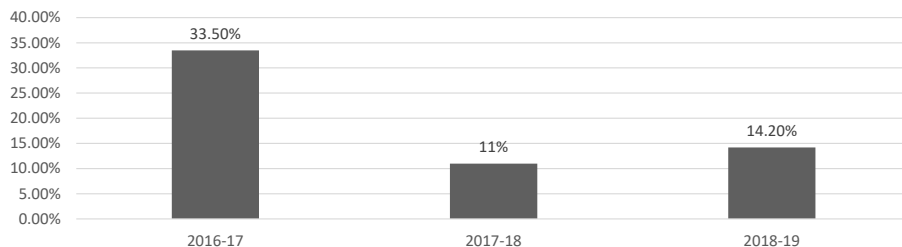
These actors, having joined the central government coalition, could access the political and economic resources of the state and in turn make commitments to the existing centralized governance system that subsequently could make policy change difficult, if not impossible. With that, the next section, elaborates on the reform efforts to decentralize planning and budgeting in Afghanistan that failed and did not result in any change in the existing centralized planning and budgeting policies.

Reform Efforts

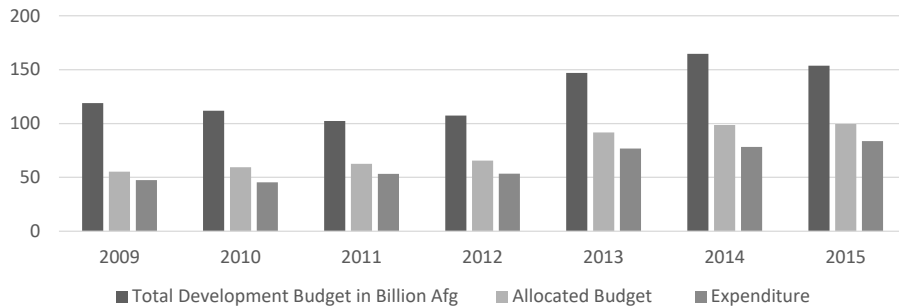
Soon after the adoption of centralized planning and budgeting processes, it became evident that the institutional setting was not conducive to allocative efficiency, productive efficiency, and the required capacity building to provide effective and efficient public services (Salthmarshe and Mehdi 2011; Boex 2012; Nijssen 2011). In terms of allocative efficiency, the centralized planning and budgeting did not provide any venue for the local population to participate in the decision-making process. The data from the fiscal years (2016-17, 2017-18, and 2018-19) show a declining trend in the percentage of local preferences and needs incorporated in the national budgets. Figure 2 illustrates this point.

In terms of productive efficiency, both the central government and the local administrations could not expend more than 54% of the development budget. Figure 3 is quite illustrative of this argument.

Figure 2. Share of PDP in National Budget of 2016-17, 2017-18, and 2018-19



Source: Qadam Shah (2019)

Figure 3. Annual Development Budget Expenditure

Source: Qadam Shah (2019)

Regarding the capacity building, the Afghan central government did not have any plan to enhance the capacity of the central and local administrators. For instance, when asked, one of the local administrators commented that

The capacity of the local administrators is quite low such that most provinces do not know how to plan, budget, execute, and monitor and evaluate the projects. There are different reasons for this, but I think the main reason is that the government does not have any plan or program to improve the capacity of the local administrators. (author's interview with a local administrator, Herat Province, June 5, 2018).

Given the failure of the existing centralized planning and budgeting processes, the Afghan government, under the direct pressure from the international donors, sought to reform the system. However, the results were modest. In line with the very argument of this paper, the main reason for little meaningful reform was lack of political will for changing the status quo. The following elaborates the reform efforts for fiscal decentralization since 2004 in Afghanistan.

In 2005, Afghanistan and international donors first initiated several programs to deconcentrate planning and budgeting within the centralized constitutional framework of Afghanistan. The Afghan government cabinet decided to create Provincial Development Committees (PDCs) for coordinating provincial planning with sectoral ministries and developing Provincial Development Plans (PDPs). In 2006, 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 central line ministries and provincial line departments, and preparation of the budget submission. In the same year, 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 a

similar 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 these reform efforts, the planning and budgeting processes remained highly centralized. The practice shows that local administrations have been sending a long wish list of projects to the central government and the MoF has been the sole decision-maker for allocating budget to different local administrations. Likewise, there was no clear-cut formula to determine the allocation of budget in Afghanistan. The interviewees suggested a list of issues that affect the functionality of the existing planning and budgeting process: excessive centralization, lack of transparency, low level of participation, low or lack of administrative capacity, lack of coordination among the local entities and among the local and central entities, unclear roles and responsibilities of the local administrations in the planning and budgeting processes, and the lack of monitoring and evaluation mechanisms.

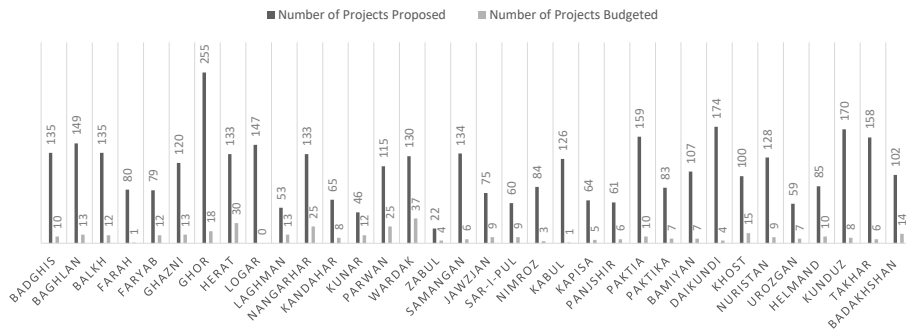
However, the year 2014 became catalyst for a series of reforms in Afghanistan. After yet another fraudulent presidential election, which put Afghanistan on the very of civil war, Afghanistan formed a National Unity Government (NUG). NUG's creation coincided with mounting pressure from the international community. Exasperated by the lack of results from the state building process, these donors were demanding accountability for any continued funding they were providing the Afghan central government with.⁵

As a result of this pressure, NUG adopted two policies, "the Provincial Development Planning Guideline" (APDPG) and "the Provincial Budgeting Policy" (APBP). These two policies, while expected to be adopted in 2006, were the first comprehensive reforms, sought to systematize the planning and budgeting processes in Afghanistan. While they only deconcentrated some planning and budgeting functions to the local administrations, it was a major step towards decentralization of the planning and budgeting processes.

The two policies aimed at improving local participation in the planning and budgeting process, and by creating predictable, transparent, and equitable avenues towards contributing to the budgeting process. According to these new policies, local administrations implemented a ten-step planning process and produced PDPs that consisted of the development projects proposed by local populations. Once the budgeting process begins, the local administrations ought to receive budget ceilings based on which they would prioritize their proposed development projects and submit them to the central government through two budget circulars.

Nevertheless, the two new policies did not demonstrate significant changes towards decentralization, but instead reinforced the same level of centralization in

Figure 4. FY 2017-18 PDP projects Budgeted in National Budget



Source: Qadam Shah (2019)

governmental planning and budgeting processes. Given the purpose of APDPG and APBP 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. At the same time, the two policies failed to achieve their very goals of improving local participation, predictability, transparency, and equity. Figure 4 demonstrates this argument.

As evident in Figure 4, the planning and budgeting processes (as of 2017-18) still do not incorporate the locally prioritized and proposed development projects in the national budget. Such failure signals two important points. First, Afghanistan failed to reform the planning and budgeting processes based on the local needs and the international standards for a participatory, predictable, transparent, and equitable budgeting. And second, the proponents of the centralized fiscal policies could keep the status quo unchanged. This in turn means that the centralized planning and budgeting processes that Afghanistan adopted through the 2004 Constitution, Public Finance and Expenditure Management Law, and Financial Regulations remained stable and unchanged.

In addition, all interviewees emphasized the domination and control of central government officials over the policymaking process as the main reason for the continued stability of centralized fiscal policies in Afghanistan during the last two decades. According to a USAID advisor, “the top-down governance approach that guaranteed the domination and control of the president and his allies over the policymaking process did not allow any change to take place.” (author’s interview with USAID Advisor, Parwan Province, June 5, 2018).

When asked about why Afghanistan failed to decentralize planning and budgeting processes since 2001, a local administrator from Balkh province said,

As long as the current centralized governance approach prevails, it is impossible to change the centralized planning and budgeting processes. The current system allows

the executive to adopt any policy it wants. At the same time, any decentralization reforms contradict the very centralized nature of Afghan Constitution. Afghanistan needs to reconsider its governance approach so that it can justify planning and budgeting processes, based on that reform. (author's interview with a local administrator from Balkh Province, July 5, 2018).

A member of parliament emphasized the fragmented nature of Afghan National Assembly as another factor facilitating the domination of executive over policymaking process:

To change the existing fiscal policies is very difficult. The current National Assembly is very fragmented because the electoral system does not induce party system and discipline in the National Assembly. This fragmentation facilitates the domination of the executive branch over policymaking and legislation process. Therefore, policymaking and legislation are all top-down and the National Assembly plays a weak role. (author's interview with a member of Afghanistan's National Assembly's Lower House, Parwan Province, July 15, 2018).

Overall, it is evident that centralized planning and budgeting system remained stable and without any change despite numerous efforts and pressure towards decentralization. Such stability was facilitated by the centralized institutional setting that allowed the central government policy actors to dominate and control policymaking processes and at the same time excluded other key actors, such as members of the Afghan National Assembly, from collective decision-making over policy reform. Therefore, once a vicious cycle, policy actors in this case, is created that commit to existing policy path. Policy change would be far from expectation, especially when the vicious cycle dominates and controls policymaking process.

As such, the next section explains how the centralized planning and budgeting policies remained stable and how exactly the actors could resist any change to the status quo, i.e., the centralized planning and budgeting policies, through centralized policymaking process.

Centralized Policymaking Process and the Resistance to Change

Consistent with its centralized governance system, Afghanistan adopted a centralized policymaking process. The constitution proposed a bicameral National Assembly that consists of two houses: *Wolesi Jirga*, the lower house, and *Meshrano Jirga*, the house of elders. The constitution assigned the National Assembly with specific duties that include "ratification, modification, or abrogation of laws or legislative decrees."⁶ While the constitution authorized both the government and the members of the National Assembly to propose drafts of laws, it limits the

proposals for drafting the budget and financial affairs only to the government.⁷

In theory, the constitution introduced a set of actors to engage in legislation and policymaking process. Foremost among these actors were the members of the National Assembly whose primary responsibilities included representing the Afghan nation in legislative and policymaking and enforcing the fundamental constitutional principle of checks and balances. In addition to members of National Assembly, the constitution proposed local councils (provincial, district, and village councils) to engage in national development process⁸ however, only the provincial councils were established. Likewise, the provincial councils had no legislative authority except some symbolic monitoring and oversight responsibility over the provincial governors who themselves were directly appointed by and responsible to the central government. Therefore, the members of the National Assembly were the only representatives who represent the Afghan citizens in the legislative and policymaking process.

In practice, the Afghan central government—together with its minimum winning coalition—dominated and effectively controlled the policymaking processes. This means that Afghanistan's centralized governance system did not induce collective action between the central government and local representatives. As such, the four constraints of agenda setting, principal-agent dynamics, information symmetry, and credible commitment easily failed to function properly given the excessive centralization of policymaking processes. A fuller explanation is as follows.

Agenda setting, as the first stage in the policymaking process, should facilitate the discussion over policy alternatives or determine which policy proposal should be discussed or be voted upon (orduneanu-Huci, Hamilton, and Ferrer 2013). However, excessive centralization turned these discussions into an exclusive process in which certain actors dominate. Given the nature of state building and the development process in Afghanistan, the external donors, and the central government policy elites—specifically, the president and his political cronies—determined the direction of policy reform in Afghanistan. Accordingly, both the external donors and Afghan policy elites were conducting policy reform under the guidance and direction of a series of National Development Strategies and agreements that provide an outline for state building and development processes in Afghanistan. These development strategies and agreements created the basis of any policy reform in Afghanistan. Table 1 summarizes the national development strategies and agreements that Afghanistan has adopted since 2001.

These development strategies and agreements also highlights that agenda setting was quite exclusive as the members of the Afghan National Assembly were not involved in the process of devising them. The role of National Assembly's members was limited to approving these national development strategies. In this regard, a member of National assembly claims that

Table 1. Afghanistan's National Development Strategies and Agreements Since 2001

Title	Purpose
The Bonn Agreement (2001)	Laid the basis for post-conflict political settlement, transitional period and administration
The Afghan National Development Framework (2002)	Highlighting the government ownership in the reconstruction process; identifying the objectives and programs to tackle humanitarian crisis; and laying the foundation for state building
Securing Afghanistan's Future (2004)	Defining Afghanistan's development goals and getting the donor pledges for reconstruction
Afghanistan Compact (2006)	Setting the agreement between the Afghan and international donors on a joint establishment and monitoring of five year benchmarks in security, governance, rule of law, human rights, economic and social development, and counternarcotics
Interim Afghanistan National Development Strategy (2006)	Creating the strategy based on the guiding principles for an interim poverty reduction strategy paper (PRSP) to ensure eligibility for debt forgiveness and concessional loans.
Afghanistan National Development Strategy (2009-2013)	Designing poverty reduction strategy to coordinate national development efforts through the government and to gain debt relief status for Afghanistan
London and Kabul Conferences (2010)	Re-emphasizing Afghan government accountability and transfer of security to Afghan government, announcing the planned reconciliation and reintegration initiative to end conflict
Tokyo Mutual Accountability Framework (2012)	Reaffirming the partnership between Afghanistan and the international community for economic growth and development through a process of mutual accountability; recognizing and recommitting to the principles of good governance, human rights, and rule of law; and heading toward the decade of transformation
December: London Conference (2014)	Providing a platform for the Afghan government to set out its vision for reform and for the international community to show enduring solidarity and support for Afghanistan
Self-Reliance through Mutual Accountability Framework (SMAF) (2014)	Initiated a new phase of relationship between the Afghan government and the international community, ensured the support and funding from the international donors, pledged to create a governance system to eliminate corruption and ensure transparency, effectiveness, and efficiency.
Brussels Conference (2016)	Ensuring the continued political and financial support of the international community
Afghanistan National Peace Development Framework (2017-2021)	Creating a framework to achieve self-reliance and increase the welfare of the Afghan people.

Source: Afghanistan Research and Evaluation Unit (www.areu.org.af)

Such a top-down, exclusive agenda setting has given sole policymaking authority to the central government such that the parliament rarely propose or draft laws to be adopted. It is mentionable that almost all policy proposal or draft bill come from the executive branch of the government. This has effectively undermined the core responsibility of the Afghan National Assembly, which is legislation. Likewise, the national assembly is not involved in the process of drafting these national development strategies. (author's interview with a member of Afghanistan's National Assembly's Lower House, Parwan Province, July 15, 2018).

The principal-agent dynamics is another constraint of institutional environment, which derives from policymaking process, and can determine the possibility of collective action toward policy reform. The Afghan citizens, the principals, had two sets of agents: the first includes the members of the National Assembly that represented the legislative branch; and the second was the president who led the executive branch. While both of these branches of government had the mandate to work for the interest of the Afghan citizens, the legislative branch of government had the vital responsibility of enforcing checks and balances on the executive branch. However, the National Assembly proved too weak and dysfunctional to represent the Afghan citizens well and enforce the constitutional principles of checks and balances on the executive branch.

In this regard, the main reasons consist of low levels of representation, the fragmentation of the National Assembly induced by the electoral system (Single Non-Transferable Voting System known as SNTV), and the political influence of the executive branch over the legislative functions of the National Assembly. The first two issues arise from the electoral system, SNTV that Afghanistan adopted for electing the members of the National Assembly. The SNTV is an electoral system, which does not induce democracy and representation significantly (Carey and Reynold 2011). Although the policymakers assumed it appropriate for Afghanistan, the SNTV, due to lack of disciplined political parties, soon proved ineffective to induce a high level of representation. What resulted instead was fragmentation of the National Assembly.

The first challenging feature of SNTV is that it induces a huge, unmanageable number of individual candidates in the elections (*ibid.*). While the number of voters decreased since the first parliamentary elections in 2005 (5,882,867 in 2005; 3,925,007 in 2010; and 3, 296,643 in 2018), the number of candidates remained almost the same that is not comparable to the 249 seats of the parliament.⁹ Table 2 depicts such an argument.

With high number of candidates for 249 seats, the successful candidates represented a small percentage of their provincial constituencies. As an illustration, Table 3 shows the highest and lowest number of votes achieved to be elected among four major provinces: Kandahar, Balkh, Takhar, and Parwan. The candidates could rarely achieve more than 15% of the votes from their provinces to

Table 2. The Number of Candidates for 249 Seats in the Afghan Parliament

2005 Elections			2010 Elections			2018 Elections		
# of Candidates	Male	Female	# of Candidates	Male	Female	# of Candidates	Male	Female
2,680	2,530	150	2,504	2,108	396	2,500	2,100	400

Source: Qadam Shah (2019)

Table 3. The Highest and Lowest Percentage of Votes to Win Parliamentary Seats

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%	1.10%	7.7%	1.6%	9.0%
Parwan	10.49%	3.83%	1.40%	15.1%	3.4%	17.1%
Takhar	6.15%	1.07%	1.81%	5.2%	2.8%	7.9%

Source: Qadam Shah (2019)

secure victory. It is quite evident that SNTV failed in improving high level of participation and enhancing party discipline in Afghanistan primarily through encouraging high number of individuals as electoral candidates. Such failure did in turn undermine the Afghan National Assembly's ability to reliably represent the Afghan population in its entirety and implement its constitutional role as a source of governmental checks and balances.

Another factor that impacted the independence and effectiveness of the National Assembly to monitor the executive branch related to the political influence of the executive branch, facilitated by the centralized, top-down governance system. The executive imposed such influence through ignoring and undermining the constitutional principal of checks and balances. In this regard, this paper refers to the autonomy and dominance of the Afghan presidents to issue legislative decrees since 2001.

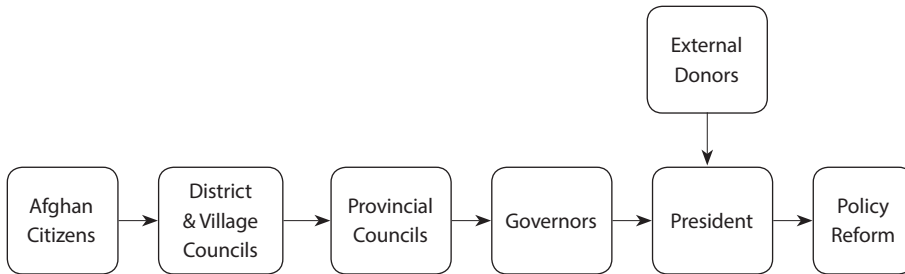
Although the president had the constitutional authority to issue legislative decrees in case of "immediate need,"¹⁰ such prerogative did not confer unlimited legislative power on the president while the National Assembly was operating. Compared to Karzai, Ghani issued a remarkable number of legislative decrees under the emergency clause of article 79 of the Afghan Constitutions. The reason mostly related to the unfortunate delay in holding the third parliamentary elections. While Afghanistan's third parliamentary elections were scheduled to be held in October 2016, elections were not held until October 2018. Almost three-

year delay created a huge gap in the structure of governance in Afghanistan. Already with the excessive centralization of power in the executive branch, this long delay furthered the power and authority of the executive to dominate and control the functionality of the legislative branch. One member of the House expressed concerns about the failure to hold election and its undermining effect over the legislative branch. According to him,

The failure to hold elections significantly affected our performance in terms of legislation and being a check on the executive. Although the executive has been already ignoring the House's authority in fulfilling its legislative and monitoring functions, the current situation put the House in a weaker position to claim accountability from the executive branch. As an example, the president does not bother to wait for the House's approval for the new bills and policies. That is why most of the laws are currently issued through legislative decree (author's interview with a member of Afghanistan's National Assembly's Lower House, Herat Province, July 20, 2018).

In 2018, the Afghan president issued 34 legislative decrees based on "the immediate need" clause of article 79 of the Afghan Constitution. In contrast, only 14 statutes were passed by the National Assembly. Overall, it is evident that the executive branch dominated and controlled the legislative and policymaking process in Afghanistan. As a result, most of the recent enforceable laws were in actuality issued by the president, remained legislative decrees without being approved by the Afghan National Assembly. As far as principal-agent dynamics is concerned, it is easy to conclude that the agents, both the members of the National Assembly and the president who led the executive branch, were not representing the interests of their principals, the Afghan citizens.

Information asymmetry is the third institutional constraint against which one can examine the possibility of collective action toward policy reform. As suggested earlier, the centralized institutional settings were not conducive to mitigate the problem of information asymmetry among the actors. The case of Afghanistan is a clear example of such an argument. The state building and governance institutional settings in Afghanistan created a highly top-down, centralized governance system that empowered the president with excessive political, fiscal, and administrative authorities. The president had exclusive authority to appoint high-ranking governmental officials such as ministers, Supreme Court justices, members of so-called independent commissions as well as those responsible to imposing governmental checks on the executive branch. This *de facto* long arm of the president's authority extended to the appointments of provincial and district governors, local police chiefs, and even the heads of local directorates. The president also possessed extensive authority over public finance management, which included planning, budgeting (formulation, allocation, and expenditure), and public procurement.

Figure 5. Afghanistan's Highly Centralized, Top-Down Governance System

Source: Author

These extensive and exclusive authorities put the president at the top of the governance structure at the expense of the local actors in the decision-making process. Therefore, lack of linkage and cooperation between the central and local actors in political, fiscal, and administrative affairs created information asymmetry problems whereby the central government's decisions did not represent the interest of the local population. Figure 5 illustrates the top-down, centralized hierarchy of Afghanistan governance structure.

As illustrated in Figure 5, the main actors that dominated and controlled the policymaking process were the president who leads the executive branch with extensive prerogatives and the international donors who influenced the policymaking process through their technical and financial support. Such domination resulted in a huge disconnect between the central government and local actors that in turn increased information asymmetry between these actors.

Credible commitment is the fourth and final constraint in an institutional environment that reflects the incentives of the actors to fulfil their formal commitment (Corduneanu-Huci, Hamilton, and Ferrer 2013). To examine whether Afghanistan's centralized institutional setting induced credible commitment on the part of the policy actors, one needs to assess its accountability mechanism. Afghanistan's centralized institutional settings did not induce effective downward accountability. The top-down, centralized governance institutions, weak and fragmented National Assembly, and lack of linkages between the central and local actors significantly undermined the possibility of effective downward accountability. The extensive authorities of the president to appoint central and local officials created only upward accountability.

Without an effective, downward accountability mechanism, it would be difficult, if not impossible, to keep the central government credibly committed and accountable to adopt policies that represent the interest of Afghan citizens. This was the case in Afghanistan since 2001 such that the central government policy actors and international donors initiated and implemented numerous policies, which did not meet the local needs and realities. The reforms on fiscal

policies provided only an example of such mismatch between local needs and the adopted policies.

It should now be evident that the central government policy actors together with their close, narrow circle dominated and controlled the policymaking process, and that the centralized institutional setting facilitated such domination. The four constraints of institutional environment as mentioned above, did not impose any limitation and downward accountability on the central government policy actors and in turn did not induce collective action between the central government and local actors. Under such circumstances, policy change against the interests and incentives of the central government policy actors, simply would not take place. Existing policies remain stable as long as they serve the best interests of the key policy actors, in this case high-ranking members of the central government. Likewise, if any policy change takes place, it would be close to the status quo rather than deviating from it. The next section discusses the main implications of this paper to the international donors who annually spend huge amounts of funds on Afghanistan.

Implications

This paper provides four important lessons for the international donors who hugely invested in Afghanistan since 2001. First, it signals an important alarm to the international donors to be mindful of the flaws and shortcomings of the existing fiscal system in Afghanistan. The post-2001 system basically enabled the Afghan central government to dominate and control the public funds without any downward accountability. Given the consistent lack of legitimacy, the Afghan government tended to tactically distribute the public funds (Qadam Shah 2021) that directly undermines its mandate to provide effective and efficient public goods for the Afghan population.

Second and more importantly, this paper suggests that the continuity of support for Afghanistan could not result in significant changes in the Afghan government's performance without substantial reform of the existing system. The problem in Afghanistan was not the amount of funding, but the existing governance system that induced corruption and waste of international funding (Murtazashvili and Qadam Shah 2020). As the data elaborated, the post-2001 system did not encourage allocative efficiency, productive efficiency, and fiscal stability in Afghanistan. Thus, the international donors should have prioritized system reform rather than the amount of funding.

Third, the continuity of the centralized planning and budgeting policies undermined the ability of the government to fulfil one of its core functions of governance: providing effective and efficiency and in turn enhancing political legitimacy. Given the delicate degree of legitimacy, the post-2001 government

missed the opportunity to get closer to the hearts and minds of the local people.

Finally, the continuity of centralized public finance management system would put the Taliban into the same situation. So far, the Taliban's performance shows that they are pursuing their old governance version that they applied during 1990s. Their exclusive cabinet, their restrictive approach to women rights and freedoms, their extreme interpretation of Islam and freedom of religion all in all are the governance features that the Afghans remember from the Taliban. The Taliban draft constitution (2005) proposes even more centralized version of public finance management system. This paper suggests that any continuity would entrench the interests of one group and exclude the others.

Conclusion

In this paper, the author sought to explain why Afghanistan's centralized planning and budgeting policies, despite their disappointing outcomes, remained stable during the last twenty years. Building on lock-in effect mechanism of policy feedback theory, this paper made two arguments: first that policy actors, given their interests, often tend to keep the status quo unchanged; and second that policymaking processes play a facilitative role for policy actors. As such, this paper explained how Afghanistan kept the status quo and how centralized policymaking processes enabled policy actors to bypass specific constraints of institutional environment such as agenda setting, principal-agent dynamics, information symmetry, and credible commitment to keep certain policies unchanged.

Notes

1. Article 75(4) of Afghanistan's 2004 Constitution.
2. Article 95 of Afghanistan's 2004 Constitution.
3. Article 137 of Afghanistan's 2004 Constitution.
4. 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." (Cheema and Rondinelli 1983)
5. Tokyo Mutual Accountability Framework (July 8, 2012).
6. Article 90 of 2004 Constitution.
7. Article 95 of 2004 Constitution.
8. Article 138 of 2004 Constitution.

9. The date is derived from Afghanistan Independent Electoral Commission.
10. Afghanistan's Constitution, Article 79.

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