

Paris Declaration on Aid Effectiveness and Afghanistan: Issues and Challenges

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The Paris Declaration called upon taking urgent steps to increase the quality, transparency and accountability of donor development aid. The Declaration demands concrete national, regional and global action plans and implementation strategies. The canalizing of the donor aid through the credible national public financial management and implementation system was stressed. This was reiterated at the UN World Summit in 2005, to reinforce importance on the reliable, transparent and accountable public financial management systems and close monitoring of international assistance.

The United Nations Secretary General, Kofi Annan remarked:

“In 2005, the development of a global partnership between rich and poor countries — which is itself the eighth (MDG) Goal...— needs to become a reality... Each developing country has primary responsibility for its own development — strengthening governance, combating corruption and putting in place the policies and investments to drive private-sector-led growth and maximize domestic resources available to fund national development strategies. Developed countries, on their side, undertake that developing countries which adopt transparent, credible and properly costed development strategies will receive the full support they need, in the form of increased development assistance, a more development-oriented trade system and wider and deeper debt relief.”¹

The Prescription by Paris Declaration

Scaling Up the Aid and Harmonization

The Declaration calls for collaboration among donors to reduce the number of separate and duplicative missions to the field and the sharing of analysis. This is also important from the view point of integrating the programs and projects, instead of having fragmented programs and projects to be taken up by individual donors, in different locations and in isolation.

The Paris Declaration on Aid Effectiveness provides a practical framework and monitoring for reform that may have the potential to increase the impact of aid utilization on poverty reduction. The Declaration recalls the commitments made at Monterrey to scale up the volume of aid and envisages that without improved systems of aid management the anticipated impact of increased aid levels is unlikely to yield results in terms of accelerated growth and poverty reduction.

Donors reaffirmed the commitments made at Rome to harmonize and align aid delivery.

“We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:

- i. Strengthening partner countries’ national development strategies and associated operational Frameworks (e.g., planning, budget, and performance assessment frameworks).*
- ii. Increasing alignment of aid with partner countries’ priorities, systems and procedures and helping to strengthen their capacities.*
- iii. Enhancing donors’ and partner countries’ respective accountability to their citizens and parliaments for their development policies, strategies and performance.*
- iv. Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.*

¹ UN SG, “On a Larger Freedom: towards development, security and human rights for all”, 2006, <http://www.un.org/largerfreedom/contents.htm>

- v. *Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.*
 - vi. *Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.*
4. *We commit ourselves to taking concrete and effective action to address the remaining challenges, including:*
- i. *Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.*
 - ii. *Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.*
 - iii. *Insufficient delegation of authority to donors' field staff and inadequate attention to incentives for effective development partnerships between donors and partner countries.*
 - iv. *Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.*
 - v. *Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.*
5. *We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.*
6. *In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels."*

Adapt and apply to differing country situations

PD states, "Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004. In such situations, worldwide humanitarian and development assistance must be harmonized within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonization, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness."

Ownership

For development cooperation through the international community to generate sustainable benefits, a high level of national ownership is considered as a critical ingredient. The dynamic partnerships between governments and donors instill the important role of government in monitoring, reviewing and measuring the impact of aid-utilization.

Donors to align with partners' strategies

The Paris Declaration calls for donors to align with partners' strategies. To ensure this, they need to know how projects and programs will contribute to the development goals; financially and in terms of results to the priorities set out in the national strategy. The Declaration calls for donors to use strengthened country systems, to maximize the benefits of the donor-country partnerships.

Donors commit to base their overall support — country strategies, policy dialogues and development co-operation programs — on partners' national development strategies and periodic reviews of progress in implementing these strategies;³² draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in

² Paris Declaration Indicator 3

close consultation with other donors and stakeholders; link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy.

This does not, however, mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

Donors to use strengthened country systems

Using a country's own institutions and systems³, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

Partner countries and donors jointly commit to work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems⁴ ; and to integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

Partner countries agreed to strengthen development capacity with support from donors

The capacity to plan, manage, implement, and account for results of policies and programs, is critical for achieving development objectives — from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

Strengthen public financial management capacity

Partner countries will commit to intensify efforts to mobilize domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments; publish timely, transparent and reliable reporting on budget execution; and to take leadership of the public financial management reform process. Donors commit to provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules; and rely to the maximum extent possible on transparent partner government budget and accounting⁵

Both Partner and the donors will implement harmonized diagnostic reviews and performance assessment frameworks in public financial management.

Strengthen national procurement systems

Partner countries and donors will jointly commit to use mutually agreed standards and processes⁴ to carry out diagnostics, develop sustainable reforms and monitor implementation. They agree to commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development; and share feedback at the country level on recommended approaches so they can be improved over time. Donors will progressively use the strengthened national systems.

Untying the aid for getting better value for money

Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. Donors will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries⁶.

³ Paris Declaration Indicator 5 and 6

⁴ Paris Declaration Indicator 2

⁵ Indicator 5 and 7

⁶ Indicator 8

Managing for Development Results

Managing for results is defined in the Paris Declaration as “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making”. It will be important to relate the National Strategy for Development; and the Donors’ Country Development Strategy to the monitoring of the development results.

Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making. Partner countries commit to strengthen the linkages between national development strategies and annual and multi-annual budget processes. They would endeavor to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies; and that these frameworks should track a manageable number of indicators for which data are cost-effectively available.⁷

Donors commit to link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners’ national development strategies; work with partner countries to rely, as far as possible, on partner countries’ results-oriented reporting and monitoring frameworks and to harmonize their monitoring and reporting requirements, and, until they can rely more extensively on partner countries’ statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting. Partner countries and donors jointly commit to work together in a participatory approach to strengthen country capacities and demand for results based management.

Donors and partners are mutually accountable for development results

The Paris Declaration calls upon the donors to “provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens”. Stress has been laid on the mutual accountability of the donors and the national authorities to be accountable for aid-effectiveness.

A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also expects to help strengthen public support for national policies and development assistance.

Partner countries commit to strengthen as appropriate the parliamentary role in national development strategies and/or budgets; and reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies. Donors commit to provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens. Partner countries and donors commit to jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness⁸, including the Partnership Commitments.

The Development Strategy of Afghanistan

The Tokyo conference in January 2002 witnessed US\$4.5billion pledged for reconstruction assistance to Afghanistan, and at Berlin in April 2004 donors pledged US\$8.2billion for the three years. Within the SAF⁹ report Afghanistan sought US\$27.6 billion over a seven year period to help rebuild the nation and achieve self-sufficiency.

Afghanistan National Development Strategy (ANDS)

⁷ Indicator 11

⁸ Indicator 12

⁹ Securing Afghanistan’s Future

The Government's vision to transform the economy, so as to enable the private sector to be the engine of growth and empowering the poor to participate fully in that growth, has following important areas identified in the ANDS:

Security

Governance, rule of law, and human rights

Economic and social development

Maintaining high GDP growth rates

Eliminating the criminalized economy

Strategic public investments

Infrastructure

Enhancing access to cheap and uninterrupted power

Enhancing connectivity through improved road access

Expanding access to irrigable land and drinking water

Human capital development

Enhancing quality education and skills development

Enhancing health of our people

Protecting the rights of the poor and social protection

Creating an enabling environment for entrepreneurship and investment

Four priority sources of growth and employment creation

Agriculture, pastoralism, agro-business and rural enterprises

Productive use of state assets

Reforming State owned enterprises.

Mining and other extractive industries

Regional cooperation, trade and transit

Tourism: a future area of growth

Achieving vision through communication, consultation and a 'social compact'

The ANDS Pillar Structure

Over the past four years, the NDF has provided the policy template for formulation of the national budget, and the 1383 (2004) SAF report. In that same period, however, the challenges facing the government and Afghanistan have changed. In 1381 (2002/3), faced with the end of a bitter civil war, and the return of more than four million refugees, the focus of public investment was largely one of humanitarian support. With the political normalization process on track and the worst of the humanitarian crisis over, the Government has made adjustments to its investment strategy to further its pro-poor economic growth and poverty reduction goals. In essence, Government's policy priorities are evolving to meet the new challenges facing the Afghan people, and the investment framework must reflect this new reality. To update the policy framework, and make it more growth oriented, the ANDS developed a new programmatic structure for the national budget and reshaped the overall investment framework. The framework establishes three broad pillars (1) security, (2) governance, rule of law and human rights, and (3) economic and social development. Across these pillars are arrayed **five cross cutting issues**—gender, Counter Narcotics, Regional Cooperation, Anti-Corruption; and Environment; and **eight Sectors**—(1) security, (2) governance, rule of law and human rights, (3) infrastructure and natural resources, (4) health, (5) education, culture, media and sport (6) agriculture and rural development (7) social protection and (8) economic governance and private sector development.

ANDS Strategy for Enhancing Aid Effectiveness

The ANDS asked government to develop concrete aid effectiveness benchmarks, against which progress will be measured. Government will also undertake the preparation of a comprehensive National Accountability Strategy and broad-based Accountability Campaign involving government, the private sector, the media, and civil society in both Kabul and the regions, in order to:

- 1. Ensuring the Primacy of the ANDS*
- 2. Strengthening the National Budget Framework*

3. *Strengthening the Medium-Term Fiscal and Expenditure Frameworks*
4. *Aligning Donor and National Priorities*
5. *Eliminating Duplication and the Development of Parallel Delivery Systems*
6. *Moving Towards Sector-Wide Approaches, Limiting Budget Projectization*
7. *Enhancing Cost Effectiveness*
8. *Simplifying Donor Procedures*
9. *Supporting the Afghan Private Sector – strengthening alignment of the external budget*
10. *Developing Performance Standards:*
11. *Limiting Use of Donor Top-Ups, which Risk Long-Term Service*
12. *Support for Anti-Corruption and Greater Fiduciary Management*
13. *Strengthening Capacity Building*
14. *Coordination of Technical*

Monitoring Arrangement

The following monitoring arrangements are in place where all key players and some members of the civil society are represented:

The Presidential Oversight Committee
The Consultative Groups
Joint Coordination & Monitoring Board

THE AFGHANISTAN COMPACT

The Afghan Government has articulated its overarching goals for the well-being of its people in the Afghanistan Millennium Development Goals Country Report 2005 – Vision 2020. Consistent with those goals, the Afghanistan Compact identifies three critical and interdependent areas or “pillars” of activity for the five years from the adoption of this Compact:

1. *Security;*
2. *Governance, Rule of Law, and Human Rights; and*
3. *Economic and Social development.*

A further vital and cross-cutting area of work is eliminating the narcotics industry, which remains a formidable threat to the people and state of Afghanistan, the region, and beyond. The Afghan Government has committed itself to realizing this shared vision of the future; the international community, in turn, commits itself to provide resources and support to realize that vision. Annex I of this Compact sets out detailed outcomes, benchmarks, and timelines for delivery, consistent with the high-level goals set by the Afghanistan National Development Strategy (ANDS). The Government and international community also commit themselves to improve the effectiveness and accountability of international assistance.

The Challenges and Issues

Aid Flow Issues

Paris Declaration and the UN World Summit in 2005 emphasized upon the importance of nationally owned poverty reduction strategies aimed at accelerating achievement of the Millennium Development Goals. For national strategies to be successfully implemented, it is imperative that all available resources are aligned with the priorities set out in the strategy; and aid flows are routed through their national Budget and Treasury. These can thus be taken into account in preparing the medium term budgetary frameworks, with target outputs and outcomes that translate national strategies into actions.

The ‘Making Budget Work’ project is now assisting the Ministry of Finance merge its ‘development’ budget with its ‘operating’ budget. The former is financed through aid flows into Afghanistan, but the portion of Aid through the ‘External Budget’ remains largely outside of Treasury control. The latter consists of Government’s domestic expenditures and revenues, as well as the proportion of aid that flows

through Government via ARTF¹⁰, grants and loans direct to Government, or project financing channeled direct to the single treasury account.

In Afghanistan, like in many other developing and transition countries, however, only about 40 percent share of aid is being routed through the National Budget and Treasury. While the selective donors provide regular and detailed information on the projects funded through the 'External Budget', Ministry of Finance does not have data on the aid utilization and outputs of such projects from the others.

The Government requires rigorous pre-agreement testing of all grant and loan proposals to ensure compliance of the ANDS. The grant and loan management unit will also be enhanced in 2006 ensuring sound fiscal management. The monitoring of the major loan programs, the IMF Staff Monitored Program, the conduct of public expenditure reviews, liaison with the three Afghanistan Trust Funds administrators (ARTF, LOTFA¹¹ and CNTF¹²), and the monitoring of donor portfolios represents a significant quality, auditing and scrutiny function within the Ministry of Finance that seeks to ensure the use of funds is maximized for the benefit of the Afghan people.

Donor Technical Sub-Committee

The creation of the Donor Technical Sub-Committee that now meets bi-monthly has helped to engage some of the key donors in a dialogue about common issues. Key themes arising from recent meetings include, the use of discretionary funds, the ARTF, the Mid-Year Review and protocols relating to the use of exchange rates. However, the donors continue to rely on their own systems and procedures, in contrast with the Paris Declaration for the External Budget aid. This committee needs to deliberate on the strengthening of national systems and utilizing them for aid spending. The Donor Country Development Strategy has to be part of the ANDS as complimentary facility; and not as a stand alone mechanism for aid flow.

Setting up of effective Aid Management and Aid Management Information System

Early in 2005 the Donor Assistance Database (DAD) was restructured to include a number of new functionalities. These included:

- Introduction of project and sub-project capacity;
- Inclusion of district level information both in data lists and geographical maps;
- Optimization of the current data entry forms for faster response;
- Auto synchronization of Kabul and Washington DAD servers;
- Enhancement of the offline (MS Access version) DAD for better data exchange and reporting;
- A National Development Budget tables now capable of being generated from the DAD.

An Aid Co-ordination Unit (ACU) is in place, but it serves the limited purpose of coordinating the Aid flow to the country. The big picture of the donor funds availability and their allocation and utilization is supposed to be governed through the ANDS priorities and donor strategies. However the macro and micro arrangements have to be dove-tailed to give the performance information and support to the big picture, for purpose of review, corrections and updating of the strategy. The database of the ACU is fragmented and does not produce updated information at any given time on the total aid flow and its project wise disbursement/utilization and performance. For purpose of benchmarks and effectiveness, the ACU has to rely on the information given by the donors or the line ministries. They are yet to develop a system of outputs and outcomes assessment and review. The linkage with the Treasury's information system (through the Free Balance software) and the DAB¹³- the Central Bank- has not been established. The ACU with its developed capacity is ready for taking up the improved systems and higher level management of aid. If necessary, their resources can be scaled up.

¹⁰ Afghanistan Reconstruction Trust Fund

¹¹ Law and Order trust Fund of Afghanistan

¹² Counter Narcotics Fund

¹³ Da Afghano Bank

One of the key problems is the fact that the External Budget funded programs and projects have not been included in the existing DAD. Pending routing of entire aid flow through the Core Budget, information on the External Budget needs to be integrated in the DAD. Donor-wise Portfolio Monitoring of all programs and projects, along with the aid utilization and effectiveness information flowing through the DAD is a difficult task; but with the development of a web-enabled comprehensive Aid Management Information System will help in several ways to manage, monitor the aid and aid effectiveness. The donors and the partners both stand committed to strengthening the systems through the PD. It is therefore a very important challenge to expedite such systems and practice.

The mandate of the ACU has to be broad-based, to enable them to aim at aid management and integrated aid management information for better handling the funds and monitoring the performance and results and benefits in terms of output and outcomes.

Capacity Issues

Every inaction or problem is very often being linked to the lack of capacity in Afghanistan. As a matter of fact, the capacity building efforts of the donor funded programs have been fragmented and isolated. There have not been concerted efforts on addressing the issue as a whole. The projects based funding and funding through the external budget have roped in a number of international advisors; but an organized and institutional effort is yet to see the light of the day. There are wide disparities and standardization problems of capacity among the national staffs across the ministries. The national government is now engaged in setting up of the capacity building institutions, which need to be set up rather urgently.

Setting up of the regular training and capacity building institutions for Development Administration; and Public Financial Management will help the government and the staffs in many ways to do the training needs analysis, development of capacity building plans and implementation, creating the Trainers for Training, providing advisory role and consulting within the public system etc. All ministries, provincial and district administration, projects; and local bodies staffs can be provided standard and need-based training and guidance by such institutions. Such efforts will be much more productive and effective to address the capacity building issues with the perspective of the systems and also the exit strategy of the international assistance.

Learning by Doing

It is very important to learn and develop the capacity by doing the things by oneself. The national staffs can not wait to have the capacity first and then start doing things in the right manner. There are success stories of capacity development with the country, in several ministries. Much of the capacity has been attained by the right mix of international advisors and the national staffs recruited under the donor funded projects. There is no reason why the similar strategy cannot be replicated in all ministries, sub-national public systems and the local bodies.

Civil Service and Salaries Reforms

The ministries and organizations that depend largely on the Afghanistan civil servants have the problem of rationalizing the wide disparities in wages and salaries packages available to the national staffs hired by the donor funded projects. The very wide disparities leave the civil servants with low motivation and morale (and often reasons for indulging into corruption). The prices and cost of living in Afghanistan have gone up due to aid flow and high wage levels; but the civil services salaries are even lower than small jobs in the private sector.

The introduction of the new technology and best practices in the day to working and systems in the country, that came through the international consultants and advisors, have not really planned to develop capacity of the civil service to sustain the systems and reforms brought in. In an exit scenario, those hired by the projects might leave the government positions and look for much better employment within or outside the country. The skills gaps and motivation and morale of the civil servants therefore will be crucial.

A comprehensive civil service reform has to be planned and implemented immediately, as one of the highest priority. The National systems will be strengthened by strengthening the civil service, in the long term any way. The real capacity and strengthening will have to be in the civil service and not by having

national and international staff hired through the donor funded projects. This has to be recognized and one of the most important issues and challenges. The PD commitments will not be met both by the donors and partner, in the absence to this.

Project Management and Implementation Issues

Many of the projects that are approved by the government, to be funded through the aid, are not well conceived and appraised. Many times they qualify to be considered as the 'wish lists' of the ministries. There is an urgent need to set up Projects Appraisal System to exclude the 'wish lists' projects proposal from the annual budget. A system must insist on the Detailed Project Proposal and appraisal system, before the proposals are brought before the Budget Committee for inclusion in the annual and subsequent budget. In the absence of such details Budget Committee should agree to fund only the feasibility study and designing of the project, on a case by case basis.

The projects implementation and effective monitoring system of a Projects Monitoring Information System (PMIS) should be available in the Ministry of Economy who are responsible for processing and recommending the projects for approval. This will also map the gaps in information about funding of the projects through the Core and External Budget.

Think Globally but Act Locally

Many developing and transition countries have failed to achieve their objectives after the exit of the major international assistance. The systems that may be very easy or simple to manage in a donor presence scenario may not be so simple to sustain in their absence. It is also true that the systems that may be very successful in the developed or mature countries and societies may not be appropriate for the transition economies and post-conflict countries.

It is perhaps for this reason, the PD had sought the commitment of the donors to adapt and apply to varying country specific situations. The cultural aspects in the public systems may require greater internal controls, transparency and accountability frameworks than in other countries. The strategy and plans may need even the sub-national level adaptations and strategy corrections. Certainly, there cannot be a panacea package available for prescribing to the all situations and all circumstances, in today's World.

The local and location specific factors, the dynamics of social relations, the development aspirations of the entire nations etc. may not be easily satisfied by fragmented and ad hoc development perspective. The aid utilization will be effective only with the implementation of the development priorities in all over the country. The geographical reasons that may be left out of security or other considerations have to have a separate strategy for aid effectiveness.

Community Empowerment

One of the challenging tasks of the ANDS and aid effectiveness will be to rope in the community participation in the different spheres of activities. The local spheres of activities will be better conceived, designed and implemented effectively by empowering the community level governance structures and the people. They have to be recognized as key stakeholders and eventually the community and civil society empowerment, with accountability systems, have to be in place by introducing the institutions and systems like social audit.

Small projects often lose sight of the planners and the program implementers. There has to be a system by which community organizations are utilized to propose and implement the small but very important projects catering to the needs of urban and rural poor. The effectiveness and social benefit value of these small projects can be much more important and productive for the communities than the large projects elsewhere.

Empowering the communities will help all-round capacity building for the country, both administratively and by preparing the future political leaders, exposed to the practical ground realities and basic needs of the population.

Regional Cooperation

As said earlier, the local systems and cultures are important in many ways to be considered as part of the development and aid effectiveness strategy. Afghanistan will do much better and faster by Regional Cooperation. Around Afghanistan are the countries with similar culture and language abilities, which have vast resources of skilled and professional manpower. To name a few are- Turkey, Pakistan, India, CIS countries; and Iran. Targeting the international advisors, technology, joint ventures, private investment and bilateral cooperation will be much more productive than anywhere else. The donor aid driven development programs should be benefited multifold both in terms of implementation and future operation and maintenance facility in the country. The countries in the Region have much more to offer than that has been tapped so far.

Energize the Systems and Practices

Instead of multiple efforts by donors to introduce different systems and practices, de novo, the existing systems that are in place need to be upgraded and consolidated. The provision of additional input and resources, coupled with the modern management and governance practices, will energize the systems and practices in the country.

The reform does not necessarily mean to have new systems and practices in one go. The less paper or paperless office concepts that may be important achievements in any developed country; may interfere with the problem of fixing accountability in the developing and transition countries.

A well documented aid policy of the country is to be in place, prescribing the terms of reference of the government as a partner and donors, the path of aid flow and aid effectiveness in line with the PD and UN reiterations. This will set the path to route the aid flow through the national (Core) budget and use the national procurement system, as well as ministries being kept in picture in all operations of programs and projects implementation and monitoring. The synergy and the spin-offs through this will energize the systems and capacity development will take the front seat, for ensuring aid effectiveness.

Development Budget Execution

The rate of budget execution of the development budget has been low. It was 27% in the year 1383(2004-05), 43% in the year 1384(2005-06); and is likely to be around 60% in the year 1385 (2006-07). This is true of only the aid coming through the national Core Budget. The official data on the rate of aid utilization for the External Budget is not available, however, it is estimated around 40% to 50%. We have no idea about the effectiveness of the aid on the target parameters. It will be important to consider outsourcing of certain tasks to deliver results by spending the available development funds and making the projects work and benefit the aim of development. Wherever necessary, both the national government and the donors have to work together for a comprehensive business process re-engineering and devolution of authorities, by adopting need based flexible systems to enable the Projects Manager to have a smooth system of procurement and quick payment against commitments.

Conclusion

As has been aptly put in the UNDP document:

“UNDPs primary mandate in aid coordination and management is to support developing country capacity to manage external development assistance through strengthened national ownership of aid coordination and management processes for enhanced transparency and accountability, to foster aid effectiveness through the UN Resident Coordinator system and facilitate broad stakeholder partnerships and South/South, peer learning and cross-fertilisation. The policy advocacy role can also be used by the UN within the donor community, using the Paris Declaration as a vehicle at country level, to hold donors to their recent commitments.”¹⁴

¹⁴ Capacity Development and Aid effectiveness, UNDP, November 2006

This is equally true of the all donors, multilateral funding agencies; and the national government to work in line with the Paris Declaration for achieving the aim of aid effectiveness. The present state in Afghanistan leaves much to be desired in areas of strengthening and making use of the national systems (Budget, public financial management, procurement, capacity of national staffs), regional cooperation, transparency and accountability, programs and projects implementation etc. Operating through the national systems reduces the administrative costs and overheads tremendously and enhances the capacity of the national systems considerably. The internalization of the skills and capacity has permanent benefits for both the donors and the partner countries, to pursue the objectives of the Paris Declaration. The country and donors have to go a long way to gear up for the challenges of internalization of the existing capacity and resources availability into the national systems and the civil service. The donors and partner have to both plan for the exit strategy and national strengthening rather urgently and immediately. The rate of aid utilization is an issue to be taken up more seriously, within the mandate of the Paris declaration of Aid effectiveness.

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