

Aid Effectiveness: Making Aid Transparent in Afghanistan

Introduction

Afghanistan is one of the poorest countries in the world and heavily depends on foreign aid, since 2001. The United Nations' Human Development Index ranks Afghanistan 169th of 187 countries in the Human Development Index (Human Development Report)¹. Illiteracy, domestic violence and civilian casualties are abnormally high².

One of the main objectives of foreign aid has been to help Afghanistan establish economic growth initiatives and transparency mechanisms to maintain a self-reliant and sustainable economy. Although, foreign aid has been effective in raising Afghanistan's Gross Domestic Product (GDP) from 8 percent in 2012 to 11 percent in 2014³, school enrollment increased from 1 million in 2001 to 9.2 million in 2013, access to improved water increased from 22 percent to 50 percent of population. Maternal mortality has more than halved since 2001 (Afghanistan: Transition Economics Updates)⁴.

A major danger of a state's total reliance on foreign aid is that when aid money stops, the state faces political and economic instability and regresses towards poverty, unemployment and insecurity. The recent decline in aid money and withdrawal of PRTs, and NATO and US troops resulted into Afghan state's reliance on scarce domestic revenues and an alarming rise in poverty, unemployment, insecurity, nepotism and corruption⁵. Therefore, it is critical that the international community gradually decreases its aid money and simultaneously supports the Afghan government in sustaining its economic growth.

This Advocacy Brief explains the reasons behind aid ineffectiveness and gives recommendations for policy changes to make aid more effective and transparent. Using these recommendations will help Afghanistan sustain its economic-growth towards an independent economy.

¹ <http://hdr.undp.org/en/countries>

² <https://www.devex.com/news/donor-transparency-in-afghanistan-76715>

³ Ministry of Finance

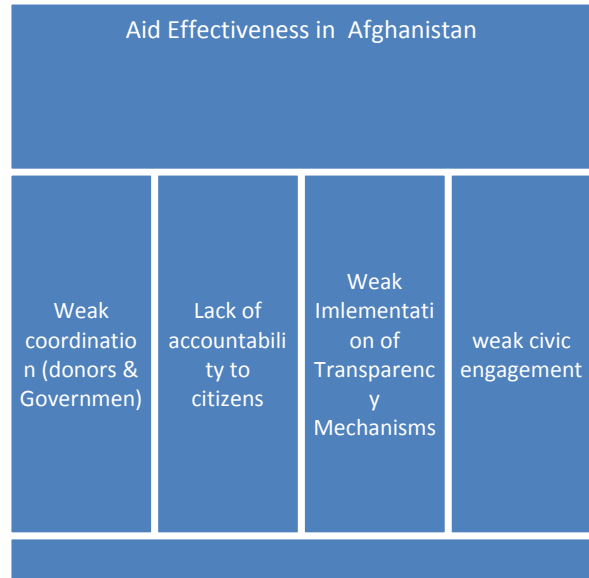
⁴ Afghanistan: Transition Economics Update

⁵ http://www.af.undp.org/content/afghanistan/en/home/operations/projects/democratic_governance/mbaw/

Is aid effective in Afghanistan?

Aid effectiveness in Afghanistan has lately been a national and international topic of debate. In fact, there are serious issues around the effectiveness of aid inflows to Afghanistan, such as, weak coordination, weak implementation of transparency mechanisms, accountability issues and weak civic engagement in development and economic decisions.

Despite 57 billion USD of aid poured into Afghanistan from 2001 to 2012 by international donors and 16 billion USD of aid pledged for Afghanistan at the Tokyo conference Afghanistan still faces economic instability and is an aid dependent economic state. The changes made in Afghans' lives due to the aid dependency are fragile. If International donors pulled significant funding out the consequences could be catastrophic^{6,7}



1. Weak co-ordination

Weak co-ordination between government and donors is one of the major challenges in making aid effective in Afghanistan. Based on the data provided by donors, approximately 46% of the 2012 disbursement was on-budget (given to the government directly) through trust funds or other bilateral modalities, however, according to the data provided by the Ministry of Finance, only 36% of 2012 aid was spent on-budget.⁸

The Afghan Government has asked the donor community to remain committed to their pledge to channel 50% of Aid directly to the Afghan Government. In response, a USAID representative has claimed that due to the high corruption rate in the Afghan government, they have only disbursed \$201.7 million out of \$896 million earmarked⁹.

2. Accountability issues

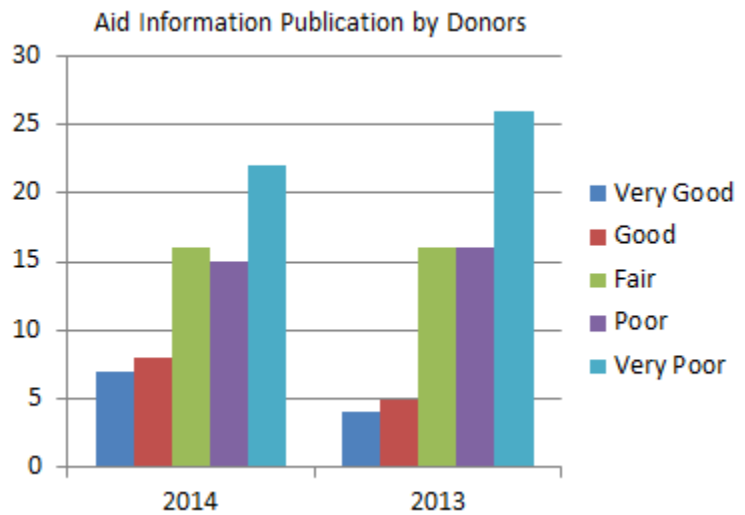
⁶ <http://reliefweb.int/sites/reliefweb.int/files/resources/BAAG%20-%20Aid%20Effectiveness%20and%20Economic%20Development%20-%20FINAL.pdf>

⁷ http://www.mofa.go.jp/region/middle_e/afghanistan/tokyo_conference_2012/tokyo_declaration_en2.html

⁸ http://mof.gov.af/Content/files/TMAF_SOM_Report_Final_English.pdf

⁹ http://www.nytimes.com/2014/01/30/world/asia/report-says-afghanistan-cant-be-trusted-to-prevent-misuse-of-us-aid.html?_r=1

Based on the Tokyo Mutual Accountability Framework, the Afghan Government and donor community are reciprocally responsible and accountable to each other. But their accountability to beneficiaries and civil society organizations has remained limited. Citizens' participation in the aid process must be ensured to make the government and donors accountable for effective aid utilization¹⁰. Even though, there are a

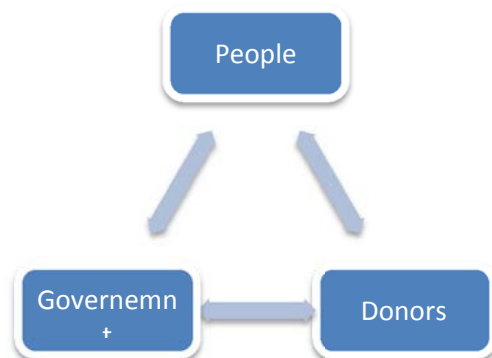


number of civil society organisations which advocate for ensuring the Afghan Government and Donor Community's accountability towards the citizens, without policy reforms and political will, the accountability process will remain limited.

3. Weak Implementation of Transparency Mechanisms

Establishing the implementation of transparency mechanisms and putting them in place will increase aid effectiveness in Afghanistan. The recent report has published by the Publish What You Fund shows that there are only seven donors out of 68 surveyed donors that are very good in publication of their activity reports to show the aid effectiveness, while 22 donors are very poor in publishing aid information accurately¹¹.

Aid transparency means not only holding donors and service providers accountable to commitments made, but also recipient governments for spending aid efficiently and responsibly on behalf of beneficiaries. Aid transparency mechanisms play a critical role in making aid effective by determining whether donor funds are used effectively or not.



¹⁰ Interviews conducted by ACSFo in Jalalabad and Herat provinces to know civil society and public perception about aid spending in Afghanistan: The report can be accessed from ACSFo.

¹¹ <http://www.aidtransparency.net/wp-content/uploads/2009/06/Implementing-IATI-Jan-2010-v2.pdf>

4. Weak Civic Engagement

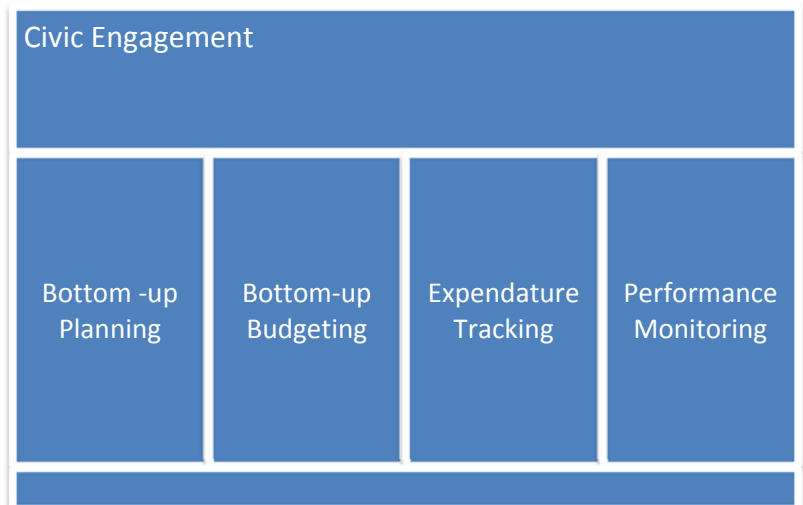
Civil Society Organizations and citizens can play a key role in making the Afghan Government accountable through civic engagement in policy making, decision making in aid allocation and the expenditures tracking process. Civic engagement enables the Government to provide high quality services and in turn enables people to enjoy their civic rights. Lack of civic engagement in the aid process in Afghanistan has resulted into the Government being irresponsible and unaccountable to the Afghan citizens. Afghans still live in poverty, are unemployed and threatened by insecurity.

Civic Engagement in aid utilization ensures measuring aid effectiveness in Afghanistan. Access to aid-related information makes it easy for citizens both in donor countries and those in recipient countries to be encouraged to engage in the aid allocation and expenditure process to know whether aid is delivered and utilized effectively or not. As the aid inflows decreases, the Afghan Government must ensure civil society participation in the policy making, government decisions and monitoring process. Similarly donors are supposed to encourage citizens to monitor and report on the development projects for better quality of implementation and aid effectiveness.

Raising aid effectiveness through Civic Engagement

1. Bottom-up Planning

If civil society organizations, civil society groups and communities' are brought into the planning process for aid projects, they can act as facilitators of coordination between donor agencies, the government, and Afghan people. Bottom up planning is essential to increase aid effectiveness in Afghanistan. Bottom up planning will increase citizens' satisfaction and let aid reaches to the local communities.



By bringing civil society leaders who know the needs of their communities, donor agencies and governments can not only improve the disbursement of aid money, but can also help make the

entire process more transparent by urging donors to disclose their spending. Bottom-up budgeting is an effective way of reaching the aid to the poorest communities and responding to the needs of people. The bottom up budgeting approach is guided by three principles: convergence, participation, and empowerment. It aims to achieve community empowerment by encouraging citizens to take active roles in the community by articulating their needs to the government and donors determining what projects are responsive to their needs. The donors, government, and civil society collaboration will make an effective impact on aid transparency in Afghanistan¹².

2.Expenditure Tracking

Expenditure tracking refers to the monitoring of how aid money is spent by Afghan government and donors. It should be monitored through civil society groups, civil society organizations, and communities' that determine how aid is effective in the local levels. There are limited numbers of civil society organizations that are engaged in the social accountability process to track development budget and aid expenditures, therefore both the government and donors should encourage citizens' participation in the budget and aid expenditure process to increase aid effectiveness in Afghanistan.

Recommendations

- Both the Afghan government and donors should engage local communities' representatives and Civil Society Organizations in the planning process for aid projects based on communities' needs;
- Both the Afghan government and donors should budget for development projects based on recommendations from citizens and civil society groups.
- Both the Afghan government and donors should establish social accountability mechanisms and engage civil society in the budget and aid tracking processes to ensure government and donor transparency and accountability;
- Both the Afghan government and donors should publish all aid commitment
- The Ministry of Finance of Afghanistan should review the draft of the Provincial Budgeting Policy with Civil Society Organizations and Provincial Councils, and after incorporating their comments the cabinet should approve the draft of the Provincial Budgeting Policy;

¹² <http://www.rappler.com/move-ph/issues/budget-watch/34734-bub-experience-grassroots>

- Civil Society Organizations should advocate strongly for aid to get to the grassroots level (too often aid stays at the national government level);
- Assessments of aid and aid effectiveness must include thorough monitoring, evaluation, financial audits and annual reporting.
- Such assessments should be published in a timely manner through the International Aid Transparency Institute, CRS, DAD, and the media.

About Integrity Watch Afghanistan

Integrity Watch Afghanistan established itself as an independent civil society organization in 2006 whose aim is to evolve into a reference actor related to understanding, analyzing and acting for transparency, accountability and anti-corruption issues

The mission of Integrity Watch Afghanistan is to put corruption under the spotlight by increasing transparency, integrity and accountability in Afghanistan through the provision of policy-oriented research, monitoring and advocacy.

Performance Monitoring

Integrity Watch's work on Community Based Monitoring, Court Trial Monitoring, Extractive Industries Monitoring and Public Services Monitoring that promotes social accountability, citizen's participation in Afghan courts and monitor compliance procedural laws and good governance of minerals and hydrocarbons and effectiveness and transparency in public service delivery. These programs are empowering communities to monitor the above mentioned projects that are implemented in their areas.