



2006 Survey on Monitoring The Paris Declaration

Country Chapters

AFGHANISTAN

The 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

www.oecd.org/dac/effectiveness/monitoring

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

1 AFGHANISTAN

DESPITE IMPRESSIVE GROWTH SINCE 2002, most Afghans live in poverty. Data on Afghanistan's economic development is hard to come by, but with a population of around 26 million and a gross domestic product (GDP) of only USD 7 billion, Afghanistan has a GDP per capita of only about USD 299. Net official development assistance (ODA) to Afghanistan totalled USD 2.3 billion in 2005; this amounted to 38% of gross national income (GNI).

Responses to the 2006 survey in Afghanistan reflect the participation of 21 big donors out of 31 donors to Afghanistan that accounted for 89% of total ODA. While this provides useful data on aid effectiveness in Afghanistan, other information required to set baselines and targets for the Paris indicators (*e.g.* World Bank Country Policy and Institutional Assessment, and Comprehensive Development Framework ratings) is not available for Afghanistan.

As a country emerging from conflict and facing considerable security challenges, but also in receipt of very high volumes of ODA, Afghanistan's experience is of particular interest. Given the challenging circumstances facing both government and donors in Afghanistan, we might expect progress on aid effectiveness to be limited. In fact, some significant achievements have been made. Challenges and priority actions are summarised in the table below.

| DIMENSIONS | BASELINE | CHALLENGES | PRIORITY ACTIONS |
|-----------------------|---------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Ownership | Not available | Very low levels of domestic revenue, security problems, high levels of dual passport holders. | Improving revenue and budget systems. |
| Alignment | Low | Unpredictable aid levels, tied aid, and low level of aid through budget. | Increasing budget execution capacity in line ministries and local government. |
| Harmonisation | Moderate | Limited used of programme-based approaches. | Expanding existing pooled funding arrangements. |
| Managing for results | Not available | Lack of development data. | Collecting baseline development information. |
| Mutual accountability | Moderate | Quality of aid in light of security challenges and limited government capacity. | Building on the Joint Coordination and Monitoring Board to change donor and government behaviour. |

OVERVIEW
Box 1.1
Challenges and priority actions

OWNERSHIP

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Instead, it requires a combination of cross-cutting factors that engage both donor and government. For donors, it means supporting countries' leadership and policies. It also means basing their overall

INDICATOR 1

support on countries' national development strategies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration). While no score is available from the World Bank to draw the baseline for Indicator 1, the assessment below is provided on the basis of the World Bank's 2006 Aid Effectiveness Review.

The government of Afghanistan's long-term vision is to meet the Millennium Development Goals by 2020. The government's development strategy up to 2010 is set out in the Interim Afghanistan National Development Strategy that was drawn up in 2006. This strategy will be used as the basis to develop the full Afghanistan National Development Strategy, which is due to be completed in March 2008. The process builds on the work done by the interim authorities in 2002-04 in preparing the National Development Framework and Securing Afghanistan's Future – these were clearly country-led and laid the foundation for Afghanistan's relationship with development partners after the fall of the Taliban regime in 2001.

The government's strategy provides a coherent policy framework for development in Afghanistan, but does not always effectively set priorities among its many targets and goals. For example, more work is needed to mainstream targets and

plans in cross-cutting areas such as gender and the environment. Although the government has adopted a Medium-Term Fiscal Framework, it is not fully linked to the overall strategy. Budget systems have been considerably strengthened (e.g. by the adoption of a consolidated budget) and domestic revenues in 2005/06 exceeded targets. However, the government still faces significant fiscal challenges in implementing its strategy, not least because less than 10% of total budgetary expenditures were covered by domestic revenues. The government's capacity to implement a fully operational development strategy is also limited by the ongoing fragility of the security situation. This is compounded by a weak balance of power between the centre and some provinces, which makes prioritising across sectors and ministries very difficult. Currently, little ownership of development exists at the local level, especially in insecure areas.

The government has nevertheless demonstrated considerable leadership in establishing its own development strategies in a difficult post-conflict situation, and in managing its relationships with development partners. It has established a Consultative Group structure that organises external partners in a particular sector under the leadership of a ministry. The government also co-chairs the Joint Coordination and Monitoring Board and the annual Afghanistan Development Forum conferences to discuss the national development strategy.

ALIGNMENT

THE POST-CONFLICT SITUATION in Afghanistan poses major challenges for the alignment of aid with government policies and systems. In many cases, national systems are being rebuilt from a fairly low base, which makes it hard for donors to make use of them. That said, the importance of aid in Afghan public expenditures, and the vulnerability of its institutions, underscore the importance of alignment as a means to support

and build up government policies and systems. In fact, a surprising amount of progress has been achieved on the alignment agenda in Afghanistan – the government and its donors will need to ensure that ongoing security problems do not impede further progress. The government of Afghanistan recognises that this will take time; yet as the capacity in government institutions is built, they can take on more leadership.

BUILDING RELIABLE COUNTRY SYSTEMS

Afghanistan is not included in the World Bank's Country Policy and Institutional Assessment process, which is the measure used to assess progress on Indicator 2. The assessment below draws on the World Bank's 2006 Aid Effectiveness Review, and on the response to the 2006 survey.

INDICATOR 2a

Afghanistan is inching forward in establishing reliable public financial management (PFM) systems. The Ministry of Finance now maintains a centralised computer system (Afghanistan Financial Management Information System) that permits real-time reporting of expenditures, allowing weekly reporting on budget expenditures from the Ministry of Finance to the Cabinet. The government is working to address weaknesses in its audit systems, and the Ministry of Finance has set up a plan with the Control and Audit Office to submit budget financial statements to Parliament by the end of September 2006. However, some corrupt practices continue to hamper the establishment of reliable national systems. A coherent politically backed approach is crucial for the country to develop an accountable and transparent public administration.

The Transparency International Corruption Perception Index (2005) rates Afghanistan 117th out of 158, with a score of 2.5 on a scale from 0 (highly corrupt) to 10 (highly transparent). In light of this, the government has established an Independent Administrative Reform and Civil Service Commission mandated to develop and oversee a programme to create transparent and accountable public administration.

INDICATOR 2b

The government has established a central facility for procurement. Implementation of the new public procurement law will bring procurement to international standards; however, progress towards capacity building of line ministries has been slow. The Ministry of Finance has now created a Procurement Policy Unit to oversee procurement and build capacity. Procurement units have also been set up within line ministries to provide additional capacity and link implementation and procurement more effectively.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The Afghanistan Compact commits Afghanistan's development partners to support the government's priorities, as set out in the government strategy. The budget is a key mechanism for achieving this, and the government has made great efforts to ensure that all ODA is captured in the budget. Indicator 3 is a proxy for measuring alignment: it actually measures the proportion of aid reported in Afghanistan's budget. If Afghanistan is to meet the target of 85% for this indicator, the government will need to set realistic budgets that take into account

Are government budget estimates comprehensive and realistic?

INDICATOR 3
Table 1.1

| | Government's budget estimates of aid flows for FY05 (USD m) a | Aid disbursed by donors for government sector in FY05 (USD m) b | Baseline ratio* c=a/b (%) c=b/a |
|-----------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------|
| Asian Dev. Bank | 121 | 35 | 29% |
| Australia | 16 | 5 | 30% |
| Canada | 104 | 88 | 84% |
| Denmark | 18 | 20 | 93% |
| EC | 220 | 137 | 62% |
| Finland | 4 | 2 | 59% |
| France | 0 | 4 | 0% |
| GAVI Alliance | 0 | 2 | 0% |
| Germany | 67 | 83 | 81% |
| Global Fund | -- | 2 | |
| India | 95 | 198 | 48% |
| Japan | 166 | 58 | 35% |
| Netherlands | 67 | 52 | 77% |
| Norway | 30 | 27 | 91% |
| Sweden | 28 | 13 | 46% |
| Switzerland | 6 | 13 | 45% |
| Turkey | 0 | 16 | 0% |
| United Kingdom | 217 | 80 | 37% |
| United Nations | 26 | 118 | 22% |
| United States | 771 | 92 | 12% |
| World Bank | 354 | 218 | 62% |
| Total | 2 312 | 1 262 | 55% |

* Baseline ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

the amount of aid it expects to receive. Donors should provide the government with timely information about planned disbursements to allow accurate budgets to be set, and report a greater proportion of their aid to the government for inclusion in the budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Afghanistan is 55%.

In other words, it means significantly less aid was disbursed in 2005 than was expected by the government when it set its 2005 budget. This reflects a number of factors. Government based its budget estimates on total commitments (core budget and external budget) and overestimated rates of disbursement. (In an effort to establish more realistic budgets, many budget authorities apply a discount factor on commitments that reflect historic patterns of disbursement for each donor or according to aid modalities.) Donors and government have different fiscal years, which means that donors are not always able to provide information when it is needed for the Afghan budget process. Some expected aid is double-counted in the budget by donors and government agencies, and some is never disbursed due to lack of compliance with conditionality. Lack of capacity for project implementation in Afghan government ministries and agencies is a major problem. In fact, about half of the projects are not implemented due to absorption constraints within line ministries. Procurement delays

(both in the centralised Afghan procurement system and in donors' own contracting and sub-contracting systems) also mean that many projects are not implemented within the fiscal year for which they were planned.

This makes it hard to draw conclusions from this indicator about the proportion of aid reported in Afghanistan's budget. More than 90% of aid flows in Afghanistan are recorded (based on actual disbursements rather than forecasts) on the Donors' Assistance Database, which suggests a high level of transparency and reporting. However, donor alignment with partner strategies remains incomplete. Only 52% of total (and not only aid for government) ODA was disbursed "in agreement with the government" in 2005, through general budget support, pooled funds, direct project/programme support or non-governmental organisation projects contracted by/agreed with the government. Donors often channel funds directly to implementing partners or contractors, and do not always keep the relevant Afghan ministries informed about financial flows.

The Ministry of Finance is already taking measures to improve the budget process. These measures will promote the accuracy of aid reporting, and should help Afghanistan reduce the gap between the aid recorded in the budget and aid disbursed by donors in order to meet the 2010 target for this indicator. The Donors' Assistance Database is being revamped to better track resources, and the Ministry of Finance plans to introduce programme-based approaches that will strengthen links between the government's priorities and the budget process. The budget process itself will also be overhauled, through such steps as monthly monitoring to help clear implementation bottlenecks. For their part, donors must ensure that they provide assistance in a transparent manner, and in particular improve their communications with sectoral ministries and the Ministry of Finance.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Technical co-operation accounts for almost a quarter of ODA to Afghanistan, and capacity building is a major priority for the government, as it faces the task of rebuilding institutions and capacity significantly damaged during years of conflict.

Only 37% of technical co-operation channelled to Afghanistan in 2005 was provided through co-ordinated programmes consistent with the government's strategy. Good examples of such programmes are the Technical Assistance and Feasibility Study Unit and Afghanistan Reconstruction Trust Fund capacity development programmes, such as the Afghan Expatriate Program and Lateral Entry Program.

Many government institutions in Afghanistan remain reliant on international advisers/consultants, and progress in transferring skills and knowledge to local staff has been slow. The large differential between the salaries offered by international agencies and those offered by government agencies means that the government struggles to recruit suitably qualified Afghans. Technical assistance also continues to be poorly co-ordinated among donors themselves, which further hinders its reach.

If Afghanistan is to meet the target of 50% of technical assistance provided in a co-ordinated way by 2010, both donors and government must take action. One option would be for the government to establish a central institution or in line ministries to co-ordinate capacity building and technical assistance – taking leadership in managing this aspect of its aid as it has done with other forms of assistance. Donors could then co-ordinate their technical assistance through this facility. In the meantime, however, there are a number of measures donors could adopt to co-ordinate more smoothly among themselves, including pooled capacity-building funds and better communication. Donors could also increase the transfer of skills and knowledge to Afghan institutions by ensuring that consultants are suitably qualified (minimising turnover) and have a local component attached. Also technical assistance should be pooled and demand driven.

How much technical assistance is co-ordinated with country programmes?

INDICATOR 4
Table 1.2

| | Co-ordinated technical co-operation (USD m) a | Total technical co-operation (USD m) b | Baseline ratio (%) c=a/b |
|---------------------|-----------------------------------------------------------|----------------------------------------------------|-----------------------------------|
| Asian Dev. Bank | 0 | 12 | 0% |
| Australia | 2 | 2 | 100% |
| Canada | 0 | 0 | -- |
| Denmark | 0 | 0 | 100% |
| European Commission | 0 | 7 | 0% |
| Finland | 1 | 1 | 100% |
| France | 0 | 2 | 0% |
| GAVI Alliance | 0 | 0 | -- |
| Germany | 0 | 39 | 0% |
| Global Fund | 0 | 0 | -- |
| India | 1 | 1 | 100% |
| Japan | 0 | 27 | 0% |
| Netherlands | 0 | 0 | -- |
| Norway | 3 | 4 | 85% |
| Sweden | 2 | 2 | 100% |
| Switzerland | 1 | 3 | 25% |
| Turkey | 0 | 0 | 85% |
| United Kingdom | 1 | 11 | 4% |
| United Nations | 37 | 47 | 78% |
| United States | 6 | 31 | 20% |
| World Bank | 26 | 26 | 100% |
| Total | 79 | 214 | 37% |

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems that commit to providing aid for agreed purposes. For that aid which is directed to the government, the use of country systems in Afghanistan compares well to other aid-receiving countries. The main challenge now is to increase the proportion of aid for government sectors.

The use of country systems in the case of projects/programmes means that all projects/programmes funded through the core development budget (channelled through the government's Treasury), should be authorised in the annual core development budget and receive allotments from the budget department of the Ministry of Finance. The cheques should be issued by the Treasury Department of the Ministry of Finance. The Treasury Department is responsible for maintaining special accounts for each of the bilateral contributions to ensure funds provided are

INDICATOR 5
Table 1.3

How much aid for the government sectors uses country systems?

| | Aid disbursed by donors for government sector (USD m) a | Public financial management | | | | Procurement | |
|---------------------|------------------------------------------------------------|-------------------------------|----------------------------------|-----------------------|---------------------------------------|----------------------------------|-----------------------------|
| | | Budget execution (USD m) b | Financial reporting (USD m) c | Auditing (USD m) d | Baseline ratio (%) avg (b,c,d) / a | Procurement systems (USD m) e | Baseline ratio (%) e / a |
| Asian Dev. Bank | 35 | 24 | 24 | 24 | 67% | 0 | 0% |
| Australia | 5 | -- | -- | -- | -- | -- | -- |
| Canada | 88 | 44 | 44 | 44 | 50% | 44 | 50% |
| Denmark | 20 | 10 | 10 | 10 | 50% | 10 | 50% |
| European Commission | 137 | 0 | 0 | 0 | 0% | 0 | 0% |
| Finland | 2 | 0 | 0 | 0 | 0% | 0 | 0% |
| France | 4 | 4 | 0 | 0 | 33% | 0 | 0% |
| GAVI Alliance | 2 | 0 | 0 | 2 | 33% | 0 | 0% |
| Germany | 83 | 22 | 0 | 0 | 9% | 22 | 27% |
| Global Fund | 2 | 2 | 2 | 0 | 67% | 0 | 0% |
| India | 198 | 0 | 0 | 0 | 0% | 0 | 0% |
| Japan | 58 | 9 | 9 | 9 | 15% | 9 | 15% |
| Netherlands | 52 | 31 | 31 | 31 | 60% | 31 | 60% |
| Norway | 27 | 22 | 22 | 22 | 83% | 22 | 83% |
| Sweden | 13 | 13 | 13 | 13 | 100% | 13 | 100% |
| Switzerland | 13 | 0 | 0 | 0 | 0% | 1 | 4% |
| Turkey | 16 | 0 | 0 | 0 | 0% | 16 | 100% |
| United Kingdom | 80 | 80 | 80 | 80 | 100% | 80 | 100% |
| United Nations | 118 | 0 | 0 | 0 | 0% | 0 | 0% |
| United States | 92 | 92 | 92 | 92 | 100% | 92 | 100% |
| World Bank | 218 | 218 | 218 | 218 | 100% | 218 | 100% |
| Total | 1 262 | 571 | 545 | 545 | 44% | 558 | 44% |

used for the right purpose. It is also responsible for collecting financial data and compiling financial statements of all projects/programmes funded through the core budget for the state. The Control and Audit Office is the supreme audit institution in Afghanistan, responsible for auditing financial statements and accounting transactions of those entities that receive funding from the Afghanistan budget.

Afghanistan has not yet been included in the World Bank's Country Policy and Institutional Assessment process, which will be used to set targets for Indicators 5(a) and 5(b), but government and donors will need to make a concerted effort if there is to be progress in these areas.

In 2005, an average of 44% of aid to the government sector used the government's budget execution, financial reporting or audit systems, and 44% was disbursed using its procurement systems.

In 2005, over 75% of external assistance was channelled outside the government's financial management systems. The reasons for this include lack of absorptive capacity for line ministries in budget execution, lack of confidence by donors in the public financial management system and the complicated procurement process in government. Survey respondents point to resources for the quick delivery of essential services and life-saving humanitarian aid. A large number of UN resources are channelled outside the government sector with agreement from the government, due to the nature of the assistance. For instance, in support of the National Strategy Against the Avian Flu, the Ministry of Public Health requested that USAID channel resources directly to the World Health Organisation (instead of through the Treasury). The same can be said for humanitarian assistance provided to women,

men and children affected by the drought, flood, adverse winter conditions and conflict in the South and Southeast.

Government efforts to improve its core budget process (see above) should eventually allow donors to provide a greater proportion of assistance using Afghan systems. For this to happen, though, work to implement existing policies in line ministries and provinces must be sustained. Equally, donors need to have realistic expectations about financial reporting and auditing in the current circumstances. As noted above, the government is also reworking its procurement processes. Some government ministries are exploring hybrid methods of procurement in order to satisfy donor countries' laws and regulations concerning fiduciary oversight and procurement. For example, the Ministry of Education used their own procurement, approval and distribution systems for the printing of USD 6 million worth of textbooks. An international non-governmental organisation held the money and released payment after the ministry approved the textbooks. This allowed for capacity development within the government of Afghanistan and ownership over resources, while fulfilling the international fiduciary oversight required by foreign capitals. In the meantime, donors should ensure that their own procurement processes are as efficient as possible – there are particular concerns in Afghanistan about the impact of long sub-contracting chains and tied aid (see below). It should be pointed out, though, that sub-contracting allows for more Afghan employment. The government encourages all donors to the extent possible to use Afghan labour and goods and services on projects. First-level contracts are normally awarded to international firms, given the low capacity in the Afghan private sector for international competitive bidding.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to “avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes”. Parallel implementation structures

How many PIUs are parallel to country structures?

| | Parallel PIUs (units) |
|---------------------|--------------------------|
| Asian Dev. Bank | 0 |
| Australia | -- |
| Canada | 0 |
| Denmark | 0 |
| European Commission | 0 |
| Finland | 0 |
| France | 0 |
| GAVI Alliance | 0 |
| Germany | 0 |
| Global Fund | 0 |
| India | 0 |
| Japan | 0 |
| Netherlands | 0 |
| Norway | 0 |
| Sweden | 0 |
| Switzerland | 1 |
| Turkey | 0 |
| United Kingdom | 2 |
| United Nations | 23 |
| United States | 2 |
| World Bank | 0 |
| Total | 28 |

can undermine government institutions and capacity, and limit alignment with government priorities and processes.

There are 28 documented parallel project implementation units (PIUs) in Afghanistan. However, this certainly understates the real number. Donors have legitimate concerns about the capacity of sectoral ministries to implement projects and programmes, but there are in turn significant worries about the impact of PIUs on this capacity. The disparity of pay and conditions between PIU staff and line ministry staff can create conflict, and may even draw well-qualified Afghans away from government jobs. It is interesting to note, though, that line ministries with well-established PIUs have tended to execute a larger proportion of their budget than those without PIUs.

Although according to the World Bank's Aid Effectiveness Review, to date there has been no attempt to phase out or consolidate parallel PIUs, some UN agencies are exploring the possibility.

INDICATOR 6
Table 1.4

INDICATOR 7
Table 1.5

Are disbursements on schedule and recorded by government?

| | Disbursements recorded by government in FY05 (USD m) | Aid scheduled by donors for disbursement in FY05 (USD m) | Aid actually disbursed by donors in FY05 (USD m) | Baseline ratio* |
|---------------------|---------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------|--------------------|
| | a | b | FOR REFERENCE ONLY | (%) c=a/b c=b/a |
| Asian Dev. Bank | 58 | 39 | 35 | 67% |
| Australia | 11 | 5 | 5 | 44% |
| Canada | 112 | 88 | 88 | 78% |
| Denmark | 20 | 10 | 20 | 50% |
| European Commission | 150 | 146 | 137 | 97% |
| Finland | 0 | 2 | 2 | 9% |
| France | 0 | 4 | 4 | 0% |
| GAVI Alliance | 0 | 3 | 2 | 0% |
| Germany | 33 | 0 | 83 | 0% |
| Global Fund | -- | 2 | 2 | |
| India | 38 | 0 | 198 | 0% |
| Japan | 91 | 58 | 58 | 64% |
| Netherlands | 56 | 52 | 52 | 92% |
| Norway | 31 | 59 | 27 | 51% |
| Sweden | 19 | 13 | 13 | 69% |
| Switzerland | 19 | 12 | 13 | 64% |
| Turkey | 0 | 16 | 16 | 0% |
| United Kingdom | 180 | 100 | 80 | 56% |
| United Nations | 7 | 141 | 118 | 5% |
| United States | 406 | 92 | 92 | 23% |
| World Bank | 38 | 218 | 218 | 17% |
| Total | 1 267 | 1 061 | 1 262 | 84% |

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b / a$).

If the target of a two-thirds reduction in the stock of parallel PIUs is to be met in Afghanistan, donors and the government must do more to achieve a balance between short-term efficiency and long-term capacity. Given the real capacity constraints in Afghan agencies, donors will need to ensure that existing PIUs are effective in transferring skills and knowledge, and guard against actions that might damage existing capacity (e.g. poaching staff from Afghan agencies).

PROVIDING MORE PREDICTABLE AID

According to survey responses, 84% of ODA to Afghanistan is disbursed within the financial year for which it is scheduled. In Afghanistan, the predictability of aid is slightly lower for general budget support (which accounted for 29% of ODA scheduled), with only 71% being disbursed within the scheduled fiscal year. Many of the

challenges identified above related to “aligning aid to national priorities” are also pertinent for progress towards the target of 92% of aid to Afghanistan being disbursed within the scheduled financial year. Donors sometimes carry over un-disbursed funds, or disburse funds due to emergencies. Scheduled amounts are not always reported. The government is now developing a unified donor reporting format. It is not yet clear whether donors will agree to this format, but it could provide the basis for more predictable aid.

The table looks at predictability from two different angles. The first angle is donors’ and government’s combined ability to disburse aid on schedule. In Afghanistan, donors scheduled USD 1 060 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 1 262 million). The second angle is donors’

and government's ability to record comprehensively disbursements made by donors for the government sector. In Afghanistan, government systems recorded USD 1 267 million out of the USD 1 262 million notified as disbursed by donors (100%) suggesting that the government captures comprehensively donors' disbursements.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Afghanistan, this combined predictability gap amounts to USD 206 million. Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. In Afghanistan efforts need to concentrate mainly on the realism of predictions on volume and timing of expected disbursements.

UNTYING AID

In OECD data, 44% of ODA to Afghanistan is reported as untied. The Afghanistan Reconstruction Trust Fund, administered by the World Bank with a range of other multilateral partners, is an important source of untied aid. It also fulfils recurrent cost requirements and it reimburses against eligible expenditures (which ever ones are submitted by the Government) rather than specific activities.

However, 56% of aid to Afghanistan is unreported in terms of its tied/untied status. It is highly likely that much of this is tied. The improvements to procurement systems discussed above should foster the untying of aid to Afghanistan.

INDICATOR 8

HARMONISATION

IT IS CRITICAL that donors step up co-ordination in Afghanistan, given the limited capacity of the government to implement aid-funded projects and programmes in the short term.

USING COMMON ARRANGEMENTS

The government of Afghanistan developed national programmes in a range of sectors (including health, education and rural development) as part of the process of drawing up its development strategy. Funding these programmes jointly provides a means for donors to harmonise their procedures, but also promotes alignment with government priorities. Currently, there are few donor-funded programme-based approaches (PBAs). The government has, however, initiated Program Based Budgeting that it

How much aid is programme based?

| | Budget support (USD m) a | Other PBAs (USD m) b | Total (USD m) c=a+b | Total disbursed (USD m) d | Baseline ratio (%) e=c/d |
|---------------------|--------------------------------|----------------------------|---------------------------|---------------------------------|--------------------------------|
| Asian Dev. Bank | 25 | 0 | 25 | 35 | 71% |
| Australia | 4 | 12 | 16 | 16 | 100% |
| Canada | 44 | 23 | 67 | 88 | 76% |
| Denmark | 10 | 10 | 20 | 29 | 67% |
| European Commission | 108 | 31 | 139 | 229 | 61% |
| Finland | 0 | 0 | 0 | 11 | 0% |
| France | 0 | 0 | 0 | 20 | 0% |
| GAVI Alliance | 0 | 2 | 2 | 2 | 100% |
| Germany | 0 | 0 | 0 | 85 | 0% |
| Global Fund | 0 | 2 | 2 | 2 | 100% |
| India | 0 | 0 | 0 | 198 | 0% |
| Japan | -- | -- | -- | -- | -- |
| Netherlands | 31 | 30 | 61 | 61 | 100% |
| Norway | 14 | 11 | 25 | 59 | 42% |
| Sweden | 13 | 0 | 13 | 44 | 30% |
| Switzerland | 0 | 5 | 5 | 17 | 30% |
| Turkey | 0 | 0 | 0 | 16 | 0% |
| United Kingdom | 80 | 0 | 80 | 113 | 71% |
| United Nations | 0 | 50 | 50 | 355 | 14% |
| United States | 92 | 132 | 224 | 770 | 29% |
| World Bank | 80 | 137 | 217 | 218 | 100% |
| Total | 559 | 485 | 1 043 | 2 437 | 43% |

INDICATOR 9
Table 1.6

INDICATOR 10a
Table 1.7

How many donor missions are co-ordinated?

| | Co-ordinated donor missions (missions) a | Total donor missions (missions) b | Baseline ratio (%) c=a/b |
|----------------------------|---------------------------------------------------|--------------------------------------------|--------------------------------|
| Asian Development Bank | 0 | 50 | 0% |
| Australia | 1 | 1 | 100% |
| Canada | 0 | 9 | 0% |
| Denmark | 1 | 3 | 33% |
| European Commission | 0 | 9 | 0% |
| Finland | 0 | 0 | -- |
| France | 0 | 3 | 0% |
| GAVI Alliance | 0 | 0 | -- |
| Germany | 1 | 10 | 10% |
| Global Fund | 0 | 2 | 0% |
| India | 0 | 5 | 0% |
| Japan | 0 | 0 | -- |
| Netherlands | 2 | 2 | 100% |
| Norway | 1 | 3 | 33% |
| Sweden | 1 | 10 | 10% |
| Switzerland | 0 | 3 | 0% |
| Turkey | 71 | 71 | 100% |
| United Kingdom | 2 | 14 | 14% |
| United Nations | 53 | 92 | 58% |
| United States | 12 | 20 | 60% |
| World Bank | 0 | 56 | 0% |
| Total (discounted*) | 94 | 363 | 26% |

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

has piloted in three ministries in the first year before implementing it across the line. This initiative is aimed at developing comprehensive and marketable programmes that sidestep inflated national budgets crowded by a massive number of small and medium-sized projects (some of which hardly get funded). There were some national priority programmes developed by the government, but with very mixed results. One of the main obstacles is overlapping and fluid ministerial responsibilities that make it difficult for PBAs to evolve. This exercise is building on the lessons learned from the past to formulate more clear PBAs.

As indicated in the table, 43% of aid disbursed to Afghanistan in 2005 took the form of programme-based approaches. Of this, 57% was

direct budget support. Donors are increasingly using common arrangements in Afghanistan: the Afghanistan Reconstruction Trust Fund provides a focus for common arrangements, and donors (including United Kingdom, Germany, European Community and the World Bank) have developed joint financing arrangements. Though the Fund is supported by 24 donors, the proportion of their contribution is relatively small.

The Law and Order Trust Fund for Afghanistan and the Counter-Narcotics Trust Fund administered by the UNDP with a broad range of other partners (United States, European Commission, Germany, Finland, Belgium, Switzerland, Netherlands, Canada, Norway, Ireland, Japan, Australia, Cyprus, Estonia, New Zealand and

How much country analysis is co-ordinated?

| | Co-ordinated donor analytical work (units) a | Total donor analytical work (units) b | Baseline ratio (%) c=a/b |
|----------------------------|-------------------------------------------------------|------------------------------------------------|--------------------------------|
| Asian Development Bank | 0 | 4 | 0% |
| Australia | -- | -- | -- |
| Canada | 2 | 3 | 67% |
| Denmark | 1 | 3 | 33% |
| European Commission | 0 | 3 | 0% |
| Finland | 0 | 0 | -- |
| France | 0 | 1 | 0% |
| GAVI Alliance | 0 | 0 | -- |
| Germany | 0 | 2 | 0% |
| Global Fund | 0 | 0 | -- |
| India | 2 | 2 | 100% |
| Japan | 0 | 1 | 0% |
| Netherlands | 0 | 0 | -- |
| Norway | 1 | 3 | 33% |
| Sweden | 8 | 25 | 32% |
| Switzerland | 0 | 0 | -- |
| Turkey | 5 | 5 | 100% |
| United Kingdom | 0 | 8 | 0% |
| United Nations | 42 | 73 | 58% |
| United States | 0 | 6 | 0% |
| World Bank | 5 | 8 | 63% |
| Total (discounted*) | 50 | 147 | 34% |

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

United Kingdom) are good examples of initiatives that embrace untied aid and programme-based approaches. Yet low capacity within the Afghan governmental structures bars the effective delivery of trust fund resources and the implementation of individual projects under the national programme. Here again, capacity building is critical.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Survey responses suggest that 26% of missions conducted in Afghanistan were joint. However, the UN agencies accounted for the vast majority of missions (92 missions) and also reported that more than 58% of these were joint. Although this is a relatively low proportion, it compares well with other aid-receiving countries, and puts

Afghanistan within reach of the 2010 target of 40% joint missions. That said, donors need to be aware of the costs of uncoordinated missions in terms of government capacity, particularly in a post-conflict environment such as Afghanistan.

Only 34% of donor country analytical work was conducted jointly in 2005. This falls well short of the target of 66% joint country analytical work by 2010. The Consultative Groups mechanism established as part of the process leading towards the new Afghanistan National Development Strategy provides an obvious starting point for launching more joint analysis among donors, and also for sharing this analysis with government and other stakeholders.

MANAGING FOR RESULTS

INDICATOR 11 **MANAGING FOR RESULTS IS KEY** to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Afghanistan was not included in the World Bank's 2005 Comprehensive Development Framework analysis, which will be used to set baselines and targets for Indicator 11. The following assessment is based on the World Bank's 2006 Aid Effectiveness Review.

Despite significant limitations of quality and coverage in development information in Afghanistan, there are noteworthy achievements. The 2003 and 2005 National Risk and

Vulnerability surveys provided elements of a baseline for poverty reduction programmes and work is underway to develop a household survey programme. A major challenge for Afghanistan as it moves forward will be to connect different monitoring and tracking systems to inform policy making and budget formulation. The Statistical Master Plan recognises these problems, and intends to establish reliable baselines for quantitative indicators by the middle of 2007 and complete a census by 2008. The government has emphasised transparency of development information: up-to-date information on the development strategy is available on a government website in English and local languages, and comprehensive financial reports are published monthly by the Ministry of Finance on its website. However, tracking and monitoring systems for the government development strategy are still in the early stages.

MUTUAL ACCOUNTABILITY

INDICATOR 12 **THE PARIS DECLARATION** calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place. The Afghanistan Compact between the government of Afghanistan and its donors includes a number of promises on

both sides to improve the quality of development assistance in line with Paris Declaration commitments. A Joint Coordination and Monitoring Board, co-chaired by a senior Afghan official appointed by the President and the Special Representative of the UN Secretary-General for Afghanistan, has been established to produce regular public reports of the Compact's implementation and had its fourth meeting in early 2007 in Berlin. The established structure now needs to be made operational and both parties need to make clear commitments of how they will become more accountable and transparent in planning and implementing aid efforts.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Afghanistan. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Afghanistan under the aegis of the National Co-ordinator (Mustapha Aria).

| INDICATORS | 2005 BASELINE | 2010 TARGET |
|---------------------------------------------------|---------------|----------------|
| 1 Ownership – Operational PRS | Not available | Not applicable |
| 2a Quality of PFM systems | Not available | Not applicable |
| 2b Quality procurement systems | Not available | Not applicable |
| 3 Aid reported on budget | 55% | 85% |
| 4 Co-ordinated capacity development | 37% | 50% |
| 5a Use of country PFM systems (aid flows) | 44% | Not applicable |
| 5b Use of country procurement systems (aid flows) | 44% | Not applicable |
| 6 Parallel PIUs | 28 | 9 |
| 7 In-year predictability | 84% | 92% |
| 8 Untied aid | 44% | More than 44% |
| 9 Use of programme-based approaches | 43% | 66% |
| 10a Co-ordinated missions | 26% | 40% |
| 10b Co-ordinated country analytical work | 34% | 66% |
| 11 Sound performance assessment framework | Not available | Not applicable |
| 12 Reviews of mutual accountability | Yes | Yes |

Table 1.9
Baselines
and targets

ACRONYMS

| | |
|-----|---------------------------------|
| GDP | gross domestic product |
| GNI | gross national income |
| ODA | official development assistance |
| PBA | programme-based approach |
| PFM | public financial management |
| PIU | project implementation unit |