

Afghanistan: A Synthesis Paper of Lessons from Ten Years of Aid

I. INTRODUCTION

1. Afghanistan has received a large amount of aid from the international community since the fall of the Taliban and the installation of the Karzai government in 2002. Donors pledged an estimated \$90 billion of total assistance for the 10-year period 2002-2011, split roughly equally between security and development assistance. An estimated \$57 billion has been disbursed or committed on development assistance during this period. Donor support has also been very broad based. Some 50 countries and organizations have contributed to the effort, although 10 donors have contributed 85 percent of development assistance. The United States, the largest donor, accounts for about 42 percent of development assistance. Other top donors include the traditional OECD donors, multilateral organizations, and the United Nations, but also among them is India, the eighth largest donor. Other nontraditional donors, such as China, Iran, and Turkey, have also provided assistance. Overall, development aid to Afghanistan has been an unprecedented international effort.

2. The approaching transition post-2014, when most of the foreign troops will have departed and the Afghan government will have assumed greater control of both security and development, provides an opportunity to consider the future of development assistance to Afghanistan. This would best be done based on a review of significant experience with aid over the past 10 years, drawing lessons that could be useful for the future. An independent evaluation of the overall international aid effort is not available. However, a number of donors have recently completed evaluations of their respective programs. In addition, the government commissioned its own assessment focused on the effectiveness of the aid from the perspective of Paris Declaration. This paper draws on these assessments to extract lessons from the aid program and recommendations for donors and the government to consider. Annex 1 lists the evaluations that have been used in preparing this paper.

3. A few caveats should be noted. Given the varying nature of donor programs, with varying policies and practices, this paper does not aim to synthesize all the evaluations. Rather, it draws lessons that appear to be common among donor experiences. Lessons or recommendations that are specific to an individual donor are not discussed. In addition, the individual reports follow different styles with varying degrees of specificity. Thus, the paper sometimes had to derive the conclusions and recommendations from the underlying discussion. The conclusions and recommendations of the paper should thus be seen as a catalyst for discussion among evaluation agencies and donor representatives that can form the basis of a “consensus view.”

4. Like most development experiences, but particularly so under the difficult conditions in which aid and development have been pursued in Afghanistan over the past 10 years, assessments must beware of the “glass half-full versus half-empty” syndrome. Most assessments conclude that a lot has been accomplished. But they also point to substantial deficiencies that have marred program effectiveness. The conclusions point to the need for much sharper focus in future on a few of the overarching issues and priorities rather than a large and scattered donor

effort. Afghanistan will also have to do much more in some areas with stronger leadership and commitment.

5. The paper is organized as follows: After the introductory section, Section II discusses the accomplishments from the perspective of “outputs”—what was actually delivered by the aid effort. Section III assesses the “outcomes” of the aid against what are considered the objectives of the aid effort. Section IV discusses other key issues emerging from the evaluations of a generic nature not covered in the previous two sections. Section V contains recommendations arising from the evaluations.

II. OUTPUTS OF INTERNATIONAL AID

Unquestionable progress...

6. Virtually the entire development budget of Afghanistan is currently funded by donors. All evaluations point to significant accomplishments in delivering works, goods, and services in the areas and sectors supported by the donors with a picture emerging that the country is decidedly better off than it was before the conflict period. The output indicators in virtually every sector have improved dramatically, for example:¹

- **Primary health:** The number of functioning health facilities increased from 496 in 2002 to more than 2,000 in 2011. The number of trained midwives increased from 467 in 2003 to more than 1,950 by 2010 and the proportion of skilled health workers that were female increased from 25 percent to 72 percent in the same period (IEG 2012). An estimated 85 percent of the population has access to a basic package health services compared with a mere 9 percent in 2003 (US 2011, 27).
- **Basic education:** Access to schools has improved dramatically with the construction, rehabilitation, and upgrading of a large number of schools. The number of schools more than doubled between 2002 and 2011, from 6,039 to 13,643 (World Bank 2012, 88). Some 93,000 new teachers were recruited between 2003 and 2006 alone; the number of teachers and administration staff reached 170,000 in 2010 compared with 64,000 in 2001. These improvements helped increase primary enrollment from one million students in 2001 to 7.4 million in 2011, resulting in a gross primary enrollment of 97 percent (net enrollment of 50 percent), and the ratio of female to male primary enrollment increased from 46 percent in 2002 to 69 percent by 2010 (IEG 2012, 48).
- **Power:** The availability and consumption of power has improved substantially with the rehabilitation and expansion of generation and transmission infrastructure. Generation capacity that had been decimated by the war increased from 243 megawatts in 2002 to 948 megawatts by June 2011, and consumers connected to the grid increased to 30 percent (World Bank 2012, 97). There are now around 760,000 domestic consumer units in Kabul,

¹ The statistics quoted here are derived from different evaluations. The data reported in the various assessments are not uniform; some report data for the whole sector, others only for the interventions supported by the particular donor. Most draw data from secondhand sources or reports of other donors. There are also inconsistencies among the reports. Thus, the numbers should be treated with caution. However, the pace of the progress indicated by the reported data is considered correct.

of which 225,000 are new, bringing electricity supply now to an additional 2 million persons, and the availability of power has gone from 4 hours a day to virtually 24 hours (ADB 2012, 47).

- **Transport:** Some 30 percent of the total road network of about 42,150 kilometers is rehabilitated and paved (World Bank 2012, 95). The completion of the Kabul-Kandahar highway and the national ring road connecting Kabul, Kandahar, Herat, and Mazar-e-Sharif are major accomplishments in creating a national highway network. A new 75-kilometer rail line has been constructed and several airports have been upgraded (ADB 2012, 47).
- **Irrigation:** A number of irrigation canals and storage structures have been rehabilitated, but progress appears to have been inadequate. The evaluations do not provide reliable estimates of completed works. ADB and the World Bank, two of the donors in the sector, report significant delays in their projects (for example, 48 percent of funds approved from the International Development Association and the Afghanistan Reconstruction Trust Fund were committed only in FY10-11, meaning that construction has barely started). UNDP estimates that more than 500,000 households (36 percent of villages) have benefitted from small-scale irrigation projects (UNDP 2009, 18). However, only an estimated 10 percent of 3.2 million hectares of land under various types of irrigation are using properly engineered systems.
- **Community development:** The National Solidarity Program (NSP), the government's flagship program for community development supported by multiple donors, committed some \$1.5 billion between 2002 and 2010 for block grants to communities (up to \$60,000 per grant) to finance projects selected by them through an elected Community Development Council (CDC) (US-GAO 2011, 4-6). Since its establishment in 2003, it has reached all 34 provinces and resulted in the establishment of 27,360 CDCs, which have undertaken almost 60,000 locally identified projects (IEG 2012, 64). Some \$950 million of funds have been disbursed.

Responsive to needs, but with qualifications...

7. All donor evaluations consider their respective activities to have been ***relevant or highly relevant*** based on their alignment with the government's plans and priorities. The government and civil society, on the other hand, give low to moderate scores to alignment based on the view that the development plan is by its nature all-encompassing and thus any donor initiative can be considered aligned to it. It concludes that "many donors continue to follow their own agendas while claiming they are aligned with Afghan government priorities" (GOA 2010, 16). We explore later in the paper the apparent disconnect between the views of donors and the government and civil society.

At high cost and with inefficiencies...

8. Several evaluations noted high costs—from both cost overruns and high administrative costs—and delays in implementation that lower efficiency. ADB rates the efficiency of its program low, primarily because of the large cost overruns. It considers the "emergency mode" of operation to have contributed to proceeding with projects that had not been well prepared and

questions the wisdom of having followed this approach. UNDP cites complex procedures and high security costs contributing to inefficiencies. Even for NSP, the IEG report notes “hidden costs” arising from procurement and payment delays (IEG 2012, 69). Others have noted high overhead costs of projects (NORAD 2012, 56). In education, donors express concerns about the poor quality of construction, lack of latrines and boundary walls that are necessary for their effective functioning, and generally unacceptable standards (NORAD 2012, 57). In the power sector, pressures to improve power supply quickly led to extensive reliance on costly power from diesel generators.

9. The government expresses concern about the reliance on high-cost consultants. In general, most recognize that the program has been less efficient, but did not highlight it as a major issue given the country circumstances.

And serious concern about sustainability...

10. Sustainability of the projects and programs funded by aid is a concern in all the evaluations. ADB explicitly rates its program as “less than likely” to be sustained. The NORAD evaluation acknowledges that “sustainability has not been the most important concern for Norway and has often been sacrificed where higher priority is placed on other objectives” (NORAD 2012, 120). The donor also expresses concern about an overall reduction in funds for development by other donors where they have been linked to their own troops. The DANIDA evaluation concludes that there are no prospects of projects funded by Denmark to be financial sustainable in the absence of donor funding (DANIDA 2012, 35). The U.S. evaluation focuses on sustainability as one of its three most important concerns and concludes that addressing sustainability concerns should be central to the design of its future programs (US 2011, 4). Other evaluations have similar concerns although not expressed explicitly.

11. The concern about sustainability arises from two factors. First, despite improvements in the past 10 years, public finances are considered seriously inadequate to sustain the current programs (World Bank 2012). An additional \$1-2 billion will be needed to meet the operations and maintenance needs of the investments already made. Programs like NSP and health that are considered highly successful will need to be funded increasingly from government budget as donor funds inevitably decline. And there will be many more demands on public resources. It is difficult to imagine any plausible scenario in the near term for the government to be able to have anywhere near adequate resources for such expenditure. Second, weaknesses in public sector are likely to be exacerbated as there is little likelihood of the government being able (or willing) to finance the high-cost “second civil service” from its own resources. There is high likelihood of this expertise to be lost to the government. UNDP warns that “few agencies have incorporated clear exit strategies to mitigate the negative impact of the eventual termination of external support.”

III. OUTCOMES

12. Despite significant accomplishments in most of the key sectors discussed above, the more pertinent question is to what extent have these contributed toward achieving the key strategic objectives of the donors? Unfortunately, almost all evaluations find a lack of focus on outcomes or insufficient attention to monitoring and evaluation of outcomes a significant weakness in the

various programs (NORAD 2012, xix, DFID 2009, 2). This is in part because of the inherent difficulty of measuring outcomes, particularly in an unstable environment (DFID 2009, 2). But it also seems that most donor programs so far have focused primarily on outputs. In addition, different donors have specified somewhat different objectives. This paper attempts to develop some common themes that emerge from the individual assessments.

13. The various objectives of the donor programs can be organized around three common themes that are generally recognized as relevant for post-conflict reconstruction:

- Statebuilding: creating capacity for good governance
- Citizenship and legitimacy: voice, inclusive and effective delivery of public services, and access to development opportunities
- Growth and jobs.

1. Statebuilding

Progress in capacity building, but far from satisfactory

14. Building the capacity of the state has been a theme in most donor efforts. Most of those efforts have been on building the capacity of the national government, but some (less well structured) have been on building subnational governments.

15. The principal instruments for capacity building at the national level² have included putting in place laws and regulations for the functioning of the government, to develop and implement capacity for planning, budgeting, and financial management; introducing transparent and efficient systems of public procurement; and funding the civil service. But in funding terms, the bulk of support has gone to the provision of technical assistance and foreign and national experts. In addition, most donors have built into their projects significant technical assistance for “capacity building” of civil servants. The amount committed by donors for capacity building has been substantial. The Ministry of Finance estimates that total donor support for capacity building (not including funding for civil service salaries) between 2002 and 2010 was \$6.45 billion (ADB 2012, 42).

16. The most notable outcome of the donor support has been that the basic systems of civil service functioning are in place. The government also increased very low civil service salaries twice since 2002 by 25-40 percent (UNDP 2009, 45). A merit-based system of civil service appointments is now in place (DFID 2009, 3), although the government’s assessment still considers nepotism widespread (GOA 2010, 21). The other major achievement is the implementation of a framework for public financial management (PFM). The World Bank, which has taken a lead in this effort, concludes that “Afghanistan’s PFM framework is better than would be expected for a country of this per capita income that started virtually from scratch ten years ago” (IEG 2012, 31).

² This paper covers only the civilian side of capacity building. Donors have also provided substantial assistance to build the capacity of the police that has been assessed in some donor reports but is outside the scope of this paper.

17. Despite these positive outcomes, the capacity of the government has remained weak according to most assessments. Most ministries and agencies responsible for donor projects employ large numbers of Afghan and international contract staff who are paid salaries that are multiples of civil service salaries (according to UNDP, \$750 to \$35,000 per month). Some donor agencies even resort to paying salary supplements to key civil servants. The U.S. assessment reports some 40 Afghan civil servants working on its projects receive salary supplements ranging from \$3,000 to \$5,000 per month (US 2011, 22). Across all ministries, over 5,000 Afghan civil servants function as a “second civil service” whose enhanced pay is more than 11 times the highest rate for the civil service (IEG 2012, 180). In essence, there is a “parallel civil service” that has been running the government for 10 years after the start of the capacity building efforts. These numbers do not include more than 25,000 Afghan contract staff paid for by individual project funds. This situation has distorted the civil service, with most capable Afghans opting for these contract jobs instead of working for the government. Recruitment of competent Afghans at high salaries by donors, nongovernmental organizations, and donor-funded contractors has further exacerbated the problem. As noted by the U.S. assessment, “the donor practices of hiring Afghans at inflated salaries have drawn otherwise qualified civil servants away from the Afghan Government and created a culture of aid dependency” (US 2011, 3). Despite most assessments sharing the same sentiment, few suggest any concrete proposals to deal with this issue.

18. UNDP reports positive experience with one form of capacity building funded by Canada and India, whereby civil servants from a neighboring country (India) have been recruited to serve as coaches for Afghan civil servants, with a time-bound exit. UNDP considers this a model for capacity building (UNDP 2009, 46). But this seems to be an isolated instance of success.

19. The quality of technical assistance provided by donors has generally received negative reviews in most assessments, with some exceptions (for example, the DFID technical assistance (TA) for telecoms; TA for microfinance by the International Finance Corporation; World Bank TA for mining sector). ADB summarizes the situation well: “Design of TA projects was weak and not appropriate to develop sustainable human resource capacity. The focus was on direct training, international consultants, and use of project implementation units; there was little focus on strengthening local training institutions. Training efforts were constrained by language difficulties.... Accountability of international advisors was also vague with some of them reporting directly to ADB, diminishing government ownership.... Client stakeholders point out, for example, that their feedback on consultant on PIU [project implementation unit] performance was rarely sought by ADB” (ADB 2012, 44). The United States has one of the largest programs of technical assistance estimated to cost about \$1.25 billion per annum that funds more than 350 technical advisers. The assessment raises the issue of high cost of the foreign advisers (\$500,000 to one million per year) and their effectiveness and concludes that the overreliance on international technical advisers to build Afghan capacity may actually undermine the intention of building capacity (US 2011, 3).

20. The government provides the harshest view on this subject, concluding that “poor quality of technical assistance has resulted in less than satisfactory performance in building Afghan institutional capacity” (GOA 2010, 19).

21. Overall, the consensus that emerges is that capacity building efforts have been disappointing. No clear strategy guides the donor efforts (NORAD 2012, 15). The lack of

institutional capacity (combined with continuing concerns about corruption) is possibly the reason that 80 percent of the total development budget remains external to the Afghan government (GOA2010, 17).

Subnational governance lacks a clear strategy

22. Most donors recognize that subnational governance is important, but a coherent strategy is lacking. Individual donors are addressing this issue in different ways without an agreed framework. There appears to be considerable confusion about the best approach, and at least three different approaches are being used.

23. NSP has been the flagship (and by all accounts highly successful) initiative in working at the lowest level (the communities). Its design emphasizes empowering communities to make decisions about their development. Although it has undoubtedly delivered substantial benefits to communities, its contribution to building local governance is unclear. The IEG assessment notes that “the evidence on community-level democratic governance is unsubstantiated” (IEG 2012, 66). Other donors reach a similar conclusion. An assessment of NSP by the General Accounting Office of the United States concludes that without reliable measurement and indicators, it is not possible to determine whether NSP is making progress in improving local governance (US-GAO 2011, 15). The DFID evaluation concludes that the “governance dimension of CDCs is complex and NSP has not yet demonstrated its impact on local governance (DFID 2009, 4). In addition, the World Bank Group evaluation concludes that CDCs continue to work independently and are not integrated with the local government structures. Within the Ministry of Rural Rehabilitation and Development (MRRD), NSP continues to be treated as a standalone program without any linkage to the Independent Directorate of Local Governance (IDLG) that is in theory responsible for local governments.

24. The Afghanistan Subnational Governance Program (ASGP), an initiative led by UNDP, aims to strengthen capacity at the local level for effective delivery of services. UNDP reports various initiatives for capacity building that have been undertaken but concludes that “it is too early to effectively evaluate the results achieved under ASGP at the level of outcomes and impact.” It also appears that it does not have any links with NSP or other programs discussed below.

25. The National Area Based Development program (NABDP) is an MRRD program to deliver small-scale infrastructure at the local level. UNDP describes it as analogous to the integrated rural development projects of the 1970s, which were widely considered unsuccessful and have since been largely abandoned by other agencies. NABDP also focuses on building capacity at the provincial and local levels, but like ASGP, there is not any evidence of outcomes.

26. Provincial Reconstruction Teams (PRTs) are the other vehicles some donors use to support local development in certain conflict-affected provinces. PRTs work through the provincial and local institutions and also support capacity building. Assessments by DFID and the United States, the two largest donors supporting PRTs, cast doubt on their effectiveness in improving local governance.

27. Most evaluations conclude that significant gaps still exist in capacity building. DFID’s overall assessment is that “progress towards the objective of capacity at central and local levels

with strengthened links between them (has been) limited,” and goes on to suggest that “increased on-budget donor support has also proved elusive.” (DFID 2009, 4) This view is shared by the other assessments.

28. Overall, the assessments generally conclude that there has not been much progress on building governance at the local level. The ongoing efforts are uncoordinated and lack a coherent view of local governance. Even within the government, there is a debate about whether MRRD, which has the largest program (NSP) reaching local levels, is the right agency to focus on local governance and whether this function should not be handled by IDLG (NORAD 2012, 56). UNDP concludes that there is “proliferation of institutions and potential for conflict” (UNDP 2009, 63).

Concern about corruption is a recurring theme

29. Virtually all donors express concern about the continuing high level of corruption in the country, which undermines both development efforts and citizens’ confidence in their government. Every evaluation touches on corruption as a major challenge (DFID 2009, 3 and ICAI 2012:1). PFM has been the principal mechanism so far to check corruption, and it is generally recognized as a positive step. Projects like NSP and in the health sector emphasize transparency and community participation as important measures to check corruption. Donors also actively oversee projects, although many indicate a lack of adequate capacity in their own offices that inhibits their ability to oversee and monitor. Some would like to add more staff but are constrained by lack of secure housing and the challenge of finding the right people to take long-term assignments given security and other issues.

30. The government recognizes that corruption is an issue, but it also questions whether donor practices might themselves contribute to corruption. The government’s assessment notes that the “donor practice of contracting implementing agencies external to Afghan government is not necessarily corruption free. In fact, the long vertical line of a single contract, being sub-contracted and further sub-sub-contracted creates a nightmarish situation making accountability increasingly vague and diffused, at every contracting level.... Besides high administrative fee charged, at every level, ultimately result in miniscule amount going to beneficiaries, which promotes a perception in the Afghan public that aid funds are being gulped by corrupt officials. This is damaging for the Afghan government, especially when the corruption ranking of countries by Transparency International is ‘perception’ based” (GOA 2010, 28). The assessment questions whether a country that is completely free of corruption, particularly a post-conflict country, is achievable or is an unrealistic goal of the donors.

31. The overall conclusion regarding statebuilding that emerges from the assessments is that neither the donors nor the government has a comprehensive view on building state capacity. None of the evaluations specify actions beyond those already taken, which have not been very effective, other than to recommend development of a comprehensive, coordinated human resources strategy for the civilian sectors (IEG 2012, 123).

2. Citizenship and Legitimacy

Representative government: an enormous accomplishment

32. Creating representative institutions of state is the fundamental basis of legitimacy. There is little doubt that the mere fact that presidential, parliamentary, and provincial elections were conducted with wide participation is itself a major accomplishment. Donor support through the United Nations Assistance Mission in Afghanistan and UNDP was critical for this purpose. Voter registration and the preparation of the electoral rolls, a daunting task, was completed satisfactorily. The logistics of conducting the elections required significant donor assistance. The results, despite various shortcomings, are generally considered a success. The fact that the elections also included measures to ensure adequate representation of minorities and women is also notable. The UNDP assessment concludes that the “involvement of UNDP and UNOPS [United Nations Office of Project Services] enabled the elections to be held in a timely manner and with standards of transparency and accountability that were accepted by the international community” (UNDP 2009, 28). Other donor assessments generally concur.

33. Donor efforts have also focused on building capacity of the various electoral institutions, notably framing of the electoral laws and regulations, establishment of an Independent Election Commission, holding of elections, and election monitoring. In addition, assistance is being provided to strengthen the capacity of the parliament. The capacity building impact of these efforts, however, is still limited and assistance is ongoing (UNDP 2009, 28-35). Despite the provision for local government institutions in the Afghan Constitution, the effort to establish representative government has been much weaker at subnational levels.

Equitable delivery of services: substantial progress but also high expectations

34. As discussed previously, ***there is significant improvement in virtually all sectors***, particularly the social sectors. Basic education has been expanded eightfold and is now accessible in a large part of the country, although quality remains a concern. A Package of Basic Health Services now reaches most of the country. NSP has done a remarkable job in reaching a large number of communities in virtually every province. Surveys of public perceptions show that a majority of Afghans see significant progress in these areas and a general improvement in their lives (IEG 2012, 172; BMZ undated, 21), although as noted earlier, the perceptions of high levels of corruption undermines this to some extent.

Gender equity has been a focus of all donor programs and shows progress

35. Donors have followed a two-pronged approach. First, to ensure that gender equity is addressed in the projects they support. Second, several donors, particularly the Nordic countries, have provided significant assistance to strengthen the capacity of the Ministry of Women’s Affairs (MOWA) to influence pro-gender policies and programs. UNFEM (the United Nations Development Fund for Women) has been the conduit of assistance of many donors to MOWA.³

36. The World Bank reports “slow but steady progress” in achieving gender equality (IEG 2012, 154). To illustrate, in 2002 there were 50 male instructors in the teacher training colleges and no women; in 2010, there were 1,700, of which 23 percent are women. In 2002, there were 450 male students attending these colleges; in 2010, more than 50,000 students are enrolled with

³ In January 2011, UNIFEM was merged into UN Women, a composite entity of the UN.

40 percent female. Women's representation in the parliament and on provincial councils has also been enshrined in law.

37. On the other hand, the DFID evaluation concludes that despite a strong focus on gender in its portfolio, "the overall integration of gender, human rights and social inclusion issues has been weak throughout the portfolio (DFID 2009, 3). Views of other donors fall somewhere between the generally positive views of World Bank Group assistance and the somewhat negative conclusion of DFID's evaluation.

38. The results of MOWA strengthening have been mixed. Despite significant assistance channeled by Sweden and Norway through UNIFEM, a joint SIDA and NORAD gender review in 2011 noted "no signs of increased capacity in MOWA as a result of UNIFEM support" (NORAD 2012, 90).

39. Overall, despite commendable progress in gender mainstreaming, gender equality is still a distant goal. Afghanistan ranks 141 out of 146 countries in the Gender Development Index 2011.

40. The assessments do not point to additional steps that donors can or should take to promote gender equality. The general view that emerges is that the donors have done most of what they could have under the specific social and cultural context of the country.

Legitimacy of government is increasing, albeit slowly and with variations across regions

41. While in the initial years Afghans generally tended to credit donors rather than their government as delivering services, recent surveys point to many more now giving credit to the government (BMZ undated, 26). This is a positive development for increasing the government's legitimacy.

42. But surveys also indicate dissatisfaction with why things have not improved more quickly after "billions of dollars" of aid. The government's assessment indicates this dissatisfaction, with perceptions that aid gets siphoned off by contractors, nongovernmental organizations, high administrative costs, and the like. The government's assessment suggests the need to recognize that "how aid is delivered affects results" (GOA 2010, 13). Geographically, aid has not done as well, with a large part of aid concentrated in Kabul and neglect of some provinces (GOA 2010, 19). Afghans also still lack faith in the government as "a problem solver and conflict mediator" (BMZ undated, 27).

Security and justice still unsatisfactory

43. A multidonor trust fund maintained by UNDP (LOFTA) is used to pay the salaries of the police and for the rehabilitation of the police facilities, equipment (non-lethal), and training. Despite having been in place now for 10 years, it has continuously suffered from funding shortfalls and uncertainties. There have been concerns about leakage of funds. Various assessments have questioned the capacity and effectiveness of the police (ANP). Generally, Afghans lack trust in the police, and in some provinces the ANP is considered part of the security problem. The Afghan Study Group report of 2008 led by U.S. Marine Corps General James Jones summarizes the situation as follows: "The ANP are severely underfunded, poorly trained

and poorly equipped. Many go months without pay because of corruption and problems with the payroll system. In parts of the country, the police are seen as a greater cause of insecurity than the Taliban, undermining the authority and legitimacy of the central government” (UNDP 2009, 38). The UNDP assessment reports progress, including the effort to recruit female police officers, but continues to express reservations about the extent of progress (UNDP 2009, 38-40).

44. The justice sector also fares poorly in the assessments. UNDP notes problems with politicization and an uncoordinated approach to the sector taken by various donors. While noting various tasks UNDP itself has been supporting, it concludes that “it is not clear what is being achieved” (UNDP 2009, 41). DFID, another donor for the justice sector, concludes that “justice institutions remain the least developed among formal oversight organizations” (DFID 2009, 4).

45. Overall, neither the police nor the judicial system inspire much confidence among the Afghans. Donor efforts face some intractable challenges that limit their effectiveness.

3. Growth and Jobs

46. Donor programs have largely focused on micro-level measures for job creation, primarily through NSP, civil works (emergency reconstruction of rural roads and irrigation channels), and microfinance. The public works programs have undoubtedly created temporary jobs. The rural roads program is estimated to have generated over 8 million days of employment; NSP has financed over 59,000 local projects also giving rise to short-term job creation. Microfinance services are estimated to have reached some 260,000 borrowers, with an outstanding portfolio of \$130 million at end-2010 (IEG 2012, 90 and 127). However, permanent job creation can only be achieved through growth in the real economy. Although the assessments note healthy growth in the economy, averaging some 9.1 percent annually between 2003 and 2010, they also note that much of this growth is accounted for by the infusion of donor funds, resulting in growth in trade and services. There are not yet any significant drivers of growth in the real economy.

Agriculture sector performance has been anemic

47. Agriculture, which accounts for one-third of the economy, would normally be a sector that fuels growth and employment in a rural economy like that of Afghanistan. Yet, growth in this sector averaged a mere 2.5 percent per year between 2002 and 2010 against a stated target of 5-7 percent in the 2004 “Securing the Future for Afghanistan.” The main source of growth within agriculture has been wheat production that increased by 5.8 percent per year between 2002 and 2009, from both increased irrigated area and productivity improvements (IEG 2012, 72). But other agricultural activities have been stagnant. Fruit production—traditionally a significant source of exports and jobs—has still not recovered to the prewar levels. For example, in 2009, raisin exports of 33,000 tons were only 60 percent of average annual raisin export of about 56,000 tons during the 1980s. Progress in the livestock industry has also shown little progress. Sheep numbers are still below historical levels, rangelands have deteriorated, and winter feed supplies are short.

48. Donors have generally supported agriculture through rehabilitation of irrigation systems and the customary agricultural services. Most donors indicate continuing problems with implementation. The assessment by the U.S. is typical for most donors. It concludes that the U.S.-supported agricultural programs “did not always establish or meet their targets for each

performance indicator” and “six of the eight programs that GAO assessed failed to meet their annual targets and the three longest running programs declined in performance from 2006 to 2008” (US 2011, 11). Most donors attribute institutional weaknesses in the Ministry of Agriculture Irrigation and Livestock for the poor performance of projects with the ministry. On the other hand, donors should consider that although their assistance for rehabilitation of existing agriculture has been important, it has not been sufficient to boost the productivity of agriculture and livestock, enhance Afghanistan’s international competitiveness, generate higher rural incomes, and reduce rural poverty.

49. Some donors have supported rural development through the Area-Based Agricultural Development Program (ABADP), but there is not much reported information on its outcomes. UNDP’s assessment casts doubts about the effectiveness of this approach (UNDP 2009, 60).

50. Another form of support for agriculture has been through Agriculture Vouchers for Increased Production in Afghanistan (AVIPA) supported by the United States. The program provides cash for work in rural areas with the assumption that injecting cash into the rural economy would stimulate agricultural production. The U.S. assessment casts doubt about the effectiveness of this approach, questioning the reported job creation and the potential unintended adverse consequences of artificially inflating incomes temporarily only to fall back when the funding is scaled back (US 2011, 11-12).

51. Overall, donor efforts in agriculture have not been effective. Donors lack a clear and coordinated strategy for the sector. The DFID assessment concludes with a recommendation for “greater emphasis on the issue of investment in agriculture, including an integrated ‘value chain’ approach to agriculture that addresses issues of land, water, credit management and labor” (DFID 2009, 4). Such an undertaking would require a much more concerted and coordinated donor effort in the sector.

Private investment climate not conducive to investment

52. The World Bank promotes a four-part strategy for improving investment climate: improving business climate, developing the financial sector, improving infrastructure, and trade.

53. On business climate, donor support has included technical assistance to develop an improved legal and regulatory framework for private investment, and supporting specific investments of high priority through their non-sovereign windows. The major successes have been in microfinance, hotels, and telecommunications, where foreign companies were early entrants in mobile telephony and ADB assistance to the Afghanistan International Bank. More recently, Afghanistan has attracted regional investors in the mining sector. There have also been reports of some improvement in agribusiness, such as the dried fruit industry. But overall, there has not been a significant private investment outside of the few that were directly supported by non-sovereign windows of donors (IEG 2012, 87; ADB 2012, 45).

54. In the financial sector, donors assisted in developing and implementing the legal framework for banking that established the central bank, 12 domestic banks, and five branches of foreign bank. Bank deposits and assets increased by over 50 percent annually since 2006; credit to the private sector more than doubled during 2006-2011, with a decline in 2012 in the wake of

the crisis brought on by the problems of the Kabul Bank (IEG 2012, 89). Overall, while there has been progress, as the Kabul Bank incident illustrated, there are still significant weaknesses.

55. Some donors (the United States, ADB, and World Bank) also set up risk management facilities to encourage private sector investments. ADB assessments conclude that results were disappointing, partly because of worsening security after 2005, with only four guarantees issued against a target of 10-20 (ADB 2012, 51). The World Bank's guarantee facility was only able to support an investment in telecommunications (IEG 2012, 85).

56. Infrastructure in the form of roads and electricity, as discussed earlier, has improved significantly, albeit with a still major needs for further investments. This has resulted in major reductions in intercity travel according to an assessment by USAID; travel times between Kabul and Kandahar have fallen from 19 hours to 5 and between Kabul and Herat from 44 hours to 12. Power, the other major infrastructure sector, has improved significantly in the major economic centers such as Kabul and Mazare-e-Sharif that now have access to 24-hour power for the first time in decades (as reported in World Bank 2012, 97).

57. Except for the assessment by the World Bank, there is not much information available on urban infrastructure in the donor assessments. The World Bank reports significant progress in the rehabilitation of physical infrastructure but considers the overall assessment of its program that focused on capacity building as unsatisfactory (IEG 2012, 130).

58. Few donor assessments provide information on trade. The World Bank supported the development of industrial estates that were intended to ease the problem of land cited by investors as a constraint. The project was largely unsuccessful for a variety of implementation challenges.

59. Overall, investment climate in Afghanistan continues to be poor. The continuing security problems undoubtedly have an adverse impact. But the cost of doing business continues to be high (IEG 2012, 85). Doing Business reports show little or no improvement in all indicators except for starting a business. The legal and regulatory environment (for example, investor protection, dispute resolution, property rights), despite various donor efforts, still has numerous unresolved issues. Afghanistan today ranks 160 among 183 countries in ease of doing business.

60. None of the assessments, however, provide specific recommendations on how Afghanistan can sustain growth that is driven by fundamentals of the economy instead of by the infusion of large donor funds. A lack of significant improvements in agriculture should be a matter of particular concern.

IV. OTHER ISSUES

Aid coordination: disconnect between donor and government views

61. Given the large volume of aid and large number of donors, aid coordination has been at the center of donor efforts. Various coordination mechanisms have been put in place, including the creation of a strong capacity in the Ministry of Finance. Besides international meetings, donor groups have been created around specific sectors and issues, with one donor assigned the lead role.

62. Donor assessments generally find good aid coordination overall, although also pointing to specific issues in certain cases. For example, the World Bank points to lack of coordination with ADB in the power sector where both have been active. UNDP highlights coordination difficulties in the justice sector and around the local governance strategy. ADB considers coordination in PFM to have been less than satisfactory in recent years. However, these all appear to be specific cases that do not necessarily detract from the basic conclusion that donor coordination has been working well.

63. In contrast, the government's assessment expresses concern that donor coordination has not been effective. It suggests that various donor groups are unwieldy, with donors pursuing their own interests and government representatives having little voice (GOA 2010, 21). It notes that the top five donors, which account for over 80 percent of aid, dominate the agenda and are insufficiently responsive to the views of the government, and the remaining 45 or so smaller donors hardly coordinate at all with each other or consult with the government.

64. The views of the parliament, civil society, and private sectors also differ significantly from those of the donors. The donors consider their programs to have a high degree of ownership by the government, moderately aligned with the government's priorities, and implemented with a high degree of mutual accountability. The parliament, civil society, and private sectors rate performance as "low" in all three aspects (GOA 2010, 49).

65. One area where donors and the government tend to agree is that aid flowing through multidonor trust funds generally has been effective. ARTF is specifically highlighted in this regard in most donor assessments as an effective instrument, although a few evaluations also point to the need for better reporting and a greater focus on monitoring and evaluation of outcomes. In general, however, ARTF is considered well managed and successful.

66. LOFTA, on the other hand, received mixed to negative reviews, but this is also perhaps because of the very sensitive nature of this trust fund and the difficulties it entails. So the experience of LOFTA is perhaps unique.

67. A new multidonor trust fund for infrastructure is in the process of being set up with ADB as the executing agency. It could benefit from the experience of ARTF.

Counterinsurgency and development: A tenuous link

68. A premise of donor aid for Afghanistan has been that economic and social development can contribute to peace and support counterinsurgency efforts. The counterinsurgency approach, often called "clear and hold," typically has been followed by a "build and transfer" phase with donors and their counterparts. This approach assumes that quick, short-term aid promotes stability and "wins hearts and minds" (US 2011, 8). The PRT concept is designed around this approach, which has been followed by several donors who also contribute to the international security force, with the United States and United Kingdom the largest donors.

69. The approach has been questioned in recent years. A 2010 conference in the United Kingdom brought together leading experts on the role of development in counterinsurgency. The conference report found a "surprisingly weak evidence base for the effectiveness of aid in promoting stabilization and security objectives" in Afghanistan (as reported in US 2011, 9). The

U.S. assessment also questions the link between poverty and insurgency citing the fact that poverty is actually lower in some of the insurgency-affected provinces than in those that are calm. It suggests that security and governance are much more important aspects that should be addressed. It cautions against continuing to invest large amounts of aid in conflict zones (US 2011, 10).

70. The German assessment of the impact of aid in northeastern Afghanistan, based on rigorous statistical analysis, confirms the U.S. conclusion. It states: “We do not find any evidence that development aid is positively, consistently, and significantly associated with threat perceptions. More aid does not reduce threats. To the contrary, we find that for the period 2007-2009, the reverse seems to be true. Those who report having received aid also feel more threatened. One possible explanation for this may be that communities who work closer with development organizations also feel more exposed to threats from armed militias” (BMZ undated, 36).

V. RECOMMENDATIONS

71. The various donor assessments make recommendations that range from midcourse corrections to donor-specific changes in business practices to a fundamental rethink of the strategy (United States, NORAD, ADB). We draw together here those that could have broader implications for the design of future donor efforts. In addition, we highlight a few issues that emerge from the analysis and raise questions that should be explored further.

1. Reconsider the emergency approach

72. The ADB and IEG assessments conclude that preparing projects using an emergency approach, while useful in the early years, has not been suitable. The use of emergency processes has meant that insufficient attention has been given to ensuring adequate technical preparation of the projects that, in turn, has led to major inefficiencies and cost and time overruns. Continuing to focus on aid volume rather than on aid quality in various international forums has been a contributory factor. ADB specifically concludes that it is time to move to a normal development-led approach rather than be driven by political timetables. The United States also suggests moving away from “political timelines” to “development timelines” (US 2011, 14). What are the implications of this?

2. Place sustainability at the heart of the program

73. The U.S. and ADB evaluations recommend that sustainability should be at the heart of the decision for donors to support a particular project or program. This has many implications. First, it undoubtedly would mean a smaller aid program going forward. If the recurrent cost projections of \$1-2 billion for the current donor programs are correct, they exceed the projected revenues of the government. To what extent are the donors willing to fund recurrent costs over and above what they already do? Second, some of the programs, like health and NSP, have only been sustained through donor support. What would be the future of such programs with diminished government support? Third, both of the two considerations lead one to question: What is the appropriate size of a sustainable investment program? Answers to these questions would require certainty of both the size and modalities of donor funds over a long period (10

years?) to develop a sustainable strategy. The U.S. assessment recommends that the United States Congress provide a multiyear funding commitment to Afghanistan (US 2011, 4). Are the donors in a position to make such a long-term commitment?

3. Delink counterinsurgency from development

74. The assessment by the U.S. questions the link between counterinsurgency and development. Other assessments question the efficacy of the PRTs. The conclusion that follows is to focus development in areas that are not subject to insurgency and in conflict-prone areas focus on building security and governance first.

4. Take a coordinated approach to building government capacity

75. Despite 10 years of efforts by almost every donor, experience with capacity building has been mixed. The use of consultants for capacity building has proven ineffective in many developing countries and the effectiveness of this approach in an environment where conflict continues is even more questionable. Moreover, every donor pursues its own strategy for lack of an agreed government-wide approach. But there are some successes. NSP and health programs certainly have had strong ministry ownership and delivered good results. UNDP's effort to bring in civil servants from neighboring countries as coaches for national civil servants⁴ appears to be another success. Perhaps there are others. What can be learned from these experiences? What is the exit strategy whatever the modality? And how can costs be lowered to sustainable levels? Does this imply considerably less reliance on western consultants and much more on national staff and officials from neighboring countries? Should donors and the government agree to a common policy on salaries for national staff and experts that does not distort functioning of the civil service? How can capacity building be developed as a specific program with a clear strategy that each donor can subscribe to and follow?

5. Develop a comprehensive human resources strategy

76. Despite progress in basic education, the level of education and skills remain weak. The World Bank and DFID evaluations recommend that donors work with the government to develop a long-term strategy for human resources development. This would require continued and even stronger attention to quality of basic education, and supporting the development of universities and skills training institutes. How can a multidonor effort for this be mobilized?

6. Make agriculture and livestock a major area of development

77. It is difficult to see how Afghanistan can flourish economically without much stronger agricultural performance than has been the case the past 10 years. The Ministry of Agriculture, Irrigation and Livestock continues to be weak and has not effectively delivered what donor programs do exist. But the donor programs also have been uncoordinated and lack a coherent national strategy. Virtually every evaluation highlights the weak performance in agriculture and these issues, but none make specific recommendations. Should donors consider making growth in productivity and incomes in agriculture (including livestock) a priority area supported through

⁴ A similar approach was used in Timor-Leste and could be reviewed.

multidonor efforts? Should the government be pressed to make deeper reforms in policies and in the relevant ministries as a condition of further donor support?

7. Civilian surge or civilian ebb?

78. Most assessments suggest a need for more staff on the ground—whether by the donors themselves in their offices or by the coordinating institutions like the World Bank—to be able to provide closer supervision and oversight to the programs. At the same time, the assessments also highlight the issue of too big a foreign presence—whether staff of donors or nongovernmental organizations or consultants—that create a negative perception among the citizens. In recognition of this issue, the U.S. assessment recommends a reduction in the civilian footprint, “a civilian ebb.” Donors need to recognize these conflicting goals. Can aid programs be designed in a way that does not require large numbers of international staff? What would be the modalities of such an aid program? Greater budget support is part of the answer, but are the donors prepared to accept the concept of “good enough governance”?

8. More on-budget aid: how will it happen?

79. All donors recognize the desirability of channeling aid through the country’s national budget rather than through various ad hoc off-budget mechanisms and it has been a subject of continuing discussion in various donor forums. In the Kabul Conference, donors committed to fund at least 50 percent of funds through the budget. This compares with only 20 percent of aid currently channeled through the budget according to the government (GOA 2010, 17). The main obstacles to increasing more on-budget aid are the well-know capacity constraints and concerns about corruption. The donors in the Kabul communiqué conditioned more on-budget aid “on the Government’s progress in further strengthening public financial systems, reducing corruption, improving budget execution, developing a financial strategy and Government capacity towards the goal” (as reported in US 2011, 19).

80. Important as these requirements are, the development of clear metrics to measure progress in development aid is still under preparation. Nor has the realism of these requirements been assessed. From some of the assessments, it appears that even the slightest leakage of funds can be a major stumbling block (see, for example, the discussion in US-GAO 2011 on the \$2.8 million of NSP funds not having reached the beneficiaries, out of more than one billion dollars disbursed). Should the donors attempt to define an acceptable level of progress? Are they willing to accept the concept of “good enough governance”? Other assessments (ICAI 2012, 8) doubt that the government will have the capacity and skill base to manage the programs on their own, which remains a major risk to achieving their aims. The United Nations Assistance Mission is coordinating the development of milestones and timelines for indicators to comply with the international commitments made under the Tokyo Framework. Without a realistic approach to this issue by the donor community, the debate on off-budget aid is likely to remain unresolved for a long time.

9. Are multidonor trust funds the answer?

81. The programs that all donors recognize as successful are those that are funded through multidonor facilities of some kind, ARTF being the prime example of this approach.

Administered by the World Bank, it has received more than \$5 billion in donor funds to finance certain recurrent costs of the government (mostly salaries) and to support investments in certain sectors. ARTF received very good reviews by all assessments in the way it has been managed, albeit with some suggestions for its further strengthening (for example, the need to focus more on outcome monitoring). The government too considers these facilities to be much better at aid coordination. Is there scope for more universal use of such facilities? Can the donors, particularly the smaller donors, be asked to channel their support exclusively (or primarily) through such facilities? This would require donor willingness to relinquish direct control to others as indicated by the NORAD assessment. Indeed, one of the commitments made under the Tokyo Framework is for participating donors to increase the share of their assistance provided by ARTF, the Afghanistan Infrastructure Trust Fund managed by ADB, or other similar incentive mechanisms, as requested by the Afghan government. Is there a need to strengthen reporting and monitoring and evaluation requirements of these facilities that provides greater comfort and visibility to the contributing donors?

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