

A Warning on Aid for Afghanistan

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A new report warns unless aid is delivered effectively to Afghanistan, the government will suffer and its authority will be undermined.

A new World Bank report has called on the international community to direct more of its aid through the Government of Afghanistan, saying it's critical for the country's medium term future.

The call comes just ahead of a major conference in London later this month that will unveil a new framework for the country's development, known as the "Afghan Compact."

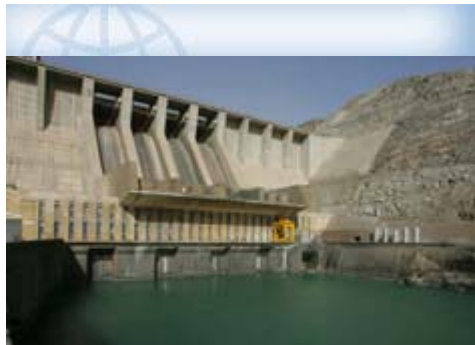
The President of the United Nations Security Council, Ambassador August P. Mahiga, has said that the London Conference, to be held on January 31 and February 1, would launch the new Afghan Compact to "provide a solid framework for the next stage of reconstruction."

In the lead-up to that major conference, the new Bank report titled Afghanistan: Managing Public Finances for Development warns that unless aid is delivered effectively to the country, the government will suffer and its authority will be undermined.

"Roughly three quarters of total aid to Afghanistan goes outside government channels," says William Byrd, Bank economist and co-author of the report.

"Our report emphasizes that this is a very serious problem for aid management, aid effectiveness and achieving results for the Afghan people.

"Aid going outside government channels sometimes can be delivered quickly, but is often at a very high cost and does not help the government build its capacity to oversee the delivery of services itself."



Naghlu Hydro Power Station under rehabilitation with financial support from the World Bank.
Photographer: Palani Mohan

This point is also stressed by the Bank's Country Director for Afghanistan, Alastair McKechnie, who says that experience demonstrates channeling aid through government is more cost effective.

"Furthermore, the credibility of the government is increased as it demonstrates its ability to oversee services and become accountable for results to its people and the newly elected parliament," McKechnie says.

The report points out massive expenditures in critical areas such as security are occurring outside the government's direct control.

Security remains a key concern in the country, with the UN Security Council condemning the recent spate of attacks in southern Afghanistan.

"Security has many ramifications. It's not just what we see on the television of major fighting and insurgents, it's also criminality and the penetration of the drug industry into the Afghan economy and society," Byrd says.

"Combating this is certainly going to cost a lot. But as in the case of other aspects of Afghanistan's development, the report proposes that there should be much greater use of government channels and government leadership in the security sector, because that is the only way that all the security spending and other spending that is going on will be sustainable over time."

The report, which analyzes challenges for public finance management in Afghanistan and suggests an agenda for action, says improved aid efficiency requires a deeper partnership between the government and donors.

resources

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And it says that should happen around the country's national development strategy and budget process.

The report, which recognizes that a great deal of progress has been made, says further improvements in all parts of the budget process are needed and says the recently elected Parliament should play a strong role.

"Parliament has a very important constitutional role under Afghanistan's new Constitution," Byrd says.

"Parliament is required to review and approve the budget, which the government sees as the central instrument of reform and policy for Afghanistan.

"And secondly, the Parliament needs to exercise oversight through a review of audit reports on the effectiveness and utilization of government funds."

The report also points out the need for Afghanistan to reduce its vulnerability to corruption, arguing that improvements in the public finance management system as well as other preventative measures are more critical than simply focusing on specific cases.



Afghan women in school. Photographer: Palani Mohan.



Only 13 percent of Afghanistan's 23.5 million population has access to safe drinking water. Photographer: Palani Mohan.

"Combating corruption is a matter of getting the national systems right and ensuring they are effective," Byrd says. "It's not by pursuing individual cases as much as by prevention that corruption will be dealt with. Also, it should not be automatically assumed that funds going outside government channels are immune from corruption."

Overall, Byrd stresses that the ultimate outcome of an effective public finance management system is to deliver services.

"This is essential for public spending to achieve results and extremely important for the credibility and legitimacy of the state."

And in assessing Afghanistan's ability to deliver services, Byrd makes the point that the country "started out with very little."

"The situation inherited in late 2001 was quite dire. Some capacity has been built up. But the important thing is for the government to build capacity to manage and lead services, not necessarily provide them all itself. For example, in the health sector there has been success achieved by the government contracting on a competitive basis for non government providers to provide basic health facilities

in rural areas."