

IMPROVING THE EFFECTIVENESS OF AID TO AFGHANISTAN (Revised Draft, 30 May 2008)¹

Introduction and Background

Experience in Afghanistan and elsewhere demonstrates that how effectively aid is deployed and utilized is crucial for development. How the international community works together and with the government, and how it provides aid, is as important as or more important than how much aid is provided. A lot of ineffective aid is not only worse than a smaller amount of effective aid, but it can actually be counterproductive by undermining the credibility of the government and international community. The importance of aid effectiveness is emphasized in the Afghanistan National Development Strategy (ANDS), which devotes a chapter to aid effectiveness and coordination (Chapter 9). This is also a major theme of the Afghanistan Compact agreed between the Government of Afghanistan and the international community in 2006 (see Annex II).

Aid effectiveness means lower unit costs of delivering services—which translates into more results for a given amount of money. There is some evidence from Afghanistan in basic public health and highways that the unit costs for activities funded by aid that is channeled through the government budget and also follows good practices in public financial management (PFM), such as transparent and competitive procurement, tend to be lower than the unit costs of aid that does not go through the national budget or follow good PFM practices. It would be useful to systematically collect unit costs for comparable development activities under different aid modalities (e.g. building a school building of a given size, delivering equivalent cash or food to a vulnerable household through cash- or food-for-work, small-scale infrastructure, etc.).

Aid effectiveness also promotes learning by doing, and thereby helps develop national systems and capacities. The experience with the Afghanistan Reconstruction Trust Fund (ARTF) demonstrates the progress that is possible through the government learning by doing in management, control, and accounting of budgetary funds, when some donors are willing to channel them through the budget (either directly or, in this case, through a multi-donor trust fund that finances the national budget).

Aid effectiveness is critical for promoting sustainability when aid subsequently plateaus and then declines. Not helping national systems to work and improve through practice merely puts off the day when the government will be able to manage its own development, and phase out dependence on aid over time. Of course, aid effectiveness alone cannot achieve sustainability or guarantee reductions in aid dependence; government pro-activity and efforts including especially in domestic revenue mobilization will be essential as well.

Improving aid effectiveness has been a consistent message of the World Bank at all donor meetings as well as in our reports and public comments since 2002. We have emphasized that this needs to be accomplished both through improvements on the government side that we and other donors have been supporting, and by donors channeling more international assistance through the national budget. In this regard, Afghanistan has made good progress in a number of areas and has achieved credible fiduciary standards for spending in the core budget, as found by the recent updated assessment of Afghanistan's PFM performance based on the Public Expenditure and Financial Accountability (PEFA) indicators (see Table 1).

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Table 1: Summary of PEFA Assessment and Update

		Jun 05	Dec 07	1	2	3	4
A. PFM-OUT-TURNS: <i>Credibility of the budget</i>							
PI-1	Aggregate expenditure out-turn compared to original approved budget	2	1				
PI-2	Composition of expenditure out-turn compared to original approved budget	2	1				
PI-3	Aggregate revenue out-turn compared to original approved budget	4	4				
PI-4	Stock and monitoring of expenditure payment arrears	1+	1+				
B. KEY CROSS-CUTTING ISSUES: <i>Comprehensiveness and Transparency</i>							
PI-5	Classification of the budget	2	2				
PI-6	Comprehensiveness of information included in budget documentation	2	3				
PI-7	Extent of unreported government operations	3	3+				
PI-8	Transparency of inter-governmental fiscal relations	1	1				
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	1	1+				
PI-10	Public access to key fiscal information	2	3				
C. BUDGET CYCLE							
<i>C(i) Policy-Based Budgeting</i>							
PI-11	Orderliness and participation in the annual budget process	2	3				
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	1+	3				
<i>C(ii) Predictability and Control in Budget Execution</i>							
PI-13	Transparency of taxpayer obligations and liabilities	1+	2				
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	1+	2				
PI-15	Effectiveness in collection of tax payments	1+	1+				
PI-16	Predictability in the availability of funds for commitment of expenditures	1+	3+				
PI-17	Recording and management of cash balances, debt and guarantees	2+	3+				
PI-18	Effectiveness of payroll controls	2	2+				
PI-19	Competition, value for money and controls in procurement	2/3	3				
PI-20	Effectiveness of internal controls for non-salary expenditure	2	2+				
PI-21	Effectiveness of internal audit	2	2				
<i>C(iii) Accounting, Recording and Reporting</i>							
PI-22	Timeliness and regularity of accounts reconciliation	2+	3				
PI-23	Availability of information on resources received by service delivery units	1	1				
PI-24	Quality and timeliness of in-year budget reports	2	2+				
PI-25	Quality and timeliness of annual financial statements	2	3+				
<i>C(iv) External Scrutiny and Audit</i>							
PI-26	Scope, nature and follow-up of external audit	2	2				
PI-27	Legislative scrutiny of the annual budget law	1	3+				
PI-28	Legislative scrutiny of external audit reports	1	2+				
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	4	3+				
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	1+	1				
D-3	Proportion of aid that is managed by use of national procedures	1	1				

Source: World Bank PEFA Updated Assessment (May 2008).

However, despite considerable success in putting more money effectively through the government budget and systems, overall progress in improving aid effectiveness has been modest, and the lion's share of aid still is not channeled through government. Some donors, despite having signed on to the Paris Declaration on Aid Effectiveness, may face internal problems in allocating more (or any) of their aid through the national budget and government systems. In addition to such aid "supply side constraints", donors are concerned about whether funds they provide through the budget will be used effectively to achieve development progress, and will not be diverted or misused. Such concerns are to a large extent belied by the progress made by Afghanistan in improving PFM indicators, and the demonstrated fact that some [\$5 billion] of donor assistance has successfully been spent through the government core budget, much of it through the Afghanistan Reconstruction Trust Fund (ARTF) or direct budget support. However, progress in improving PFM processes of budget implementation and financial controls has been greater than in better prioritizing the development budget at the upstream end, and in performance measurement and managing for results at the downstream end.

After briefly summarizing the daunting challenges faced in trying to improve aid effectiveness in Afghanistan, this paper reviews the principles and elements of aid effectiveness, largely based on the Paris Declaration on Aid Effectiveness of 2005. In this context, the progress made in Afghanistan against Paris Declaration principles will be briefly assessed. The paper will then look more deeply into what has worked in Afghanistan in promoting more effective aid that delivers development results. The paper ends with some recommendations for taking forward the aid effectiveness agenda.

Challenges to Improving Aid Effectiveness in Afghanistan

As noted above, aid effectiveness is high on the agenda in Afghanistan; but this has not yet translated into major progress in the way donors are doing business. This reflects a number of difficult challenges that Afghanistan and its international partners face in trying to improve aid effectiveness.

First, it must be recognized that Afghanistan, as one of the poorest countries in the world especially in terms of social indicators, faces an enormous development challenge, compounded by the devastation resulting from several decades of protracted conflict. Moreover, the major problems in Afghanistan are closely interrelated—insurgency, insecurity and lack of rule of law, poor governance and widespread corruption, narcotics, lack of capacity and resources in the government, and underdevelopment—with the state-building agenda as a central element of the overall development agenda. Failure in any of these areas will have adverse effects on prospects for success in other areas. It is not surprising that a development challenge of this magnitude and complexity also gives rise to great difficulties in trying to improve aid effectiveness.

Second, Afghanistan has a legitimate national government but one which in addition to lacking capacity and resources tends to operate in a fragmented and often less than fully coherent manner. This is evident for example in some of the difficulties and inconsistencies encountered in economic policymaking, in weak inter-ministerial coordination in some sectors (mentioned in the ANDS, Chapter 7), and in emerging political patterns in which conflict-generated political groupings are playing an increasingly important role (also noted in the ANDS, Chapter 4). Fragmentation and weak coordination on the government side can hinder improvements in aid effectiveness, particularly when combined with fragmentation of donors, as discussed below.

Third, the sheer number of donors of various kinds providing assistance to Afghanistan—reported by the Afghan government to number more than 60 in total—is truly daunting. There are also numerous active implementing partners including UN agencies, NGOs, etc., as well as [around 20] Provincial Reconstruction Teams (PRTs) organized by foreign military forces to engage in reconstruction and development activities. Not surprisingly, this large constellation of donors has often led to fragmented small-scale projects that don't fit into a sector strategy or programmatic framework. Moreover numerous donors, separately dealing with Afghan government ministries, agencies, provincial governors, etc. that work in isolation from each other, easily can lead to fragmentation and incoherence overall in aid to Afghanistan.

Fourth, while implementation on the ground has often been fragmented, grandiose schemes and comprehensive approaches sometimes have been proposed, often requiring strong capacity, extensive discretionary decision-making, and integrity in the government bureaucracy—all of which have been lacking. On the aid coordination side, over-articulated processes, involving fairly complex structures and numerous meetings, have not encouraged the problem solving discussions that are so necessary to improve results on the ground. Such approaches also tend to exceed the limited capacity that most donors have in-country or can easily draw on.

While these challenges mean that greater aid effectiveness is all the more important for achieving development results in Afghanistan, they also make it all the more challenging to improve aid effectiveness.

Principles and Elements of Aid Effectiveness

What is aid effectiveness, and how can it be measured? The Paris Declaration on Aid Effectiveness, subscribed to in March 2005 by most donors and developing countries, provides a framework to assess aid effectiveness in any country, including Afghanistan. Although the Paris Declaration did not exist during the first several years of Afghanistan's reconstruction, it embodies elements of good practice that have become increasingly well-known and accepted (based on the lessons from decades of global development efforts), some of which were already being applied in Afghanistan. Moreover, the Afghan government has fully taken on board the Paris Declaration, and is using its indicators as guideposts for improving aid effectiveness.

The Paris Declaration indicators include ownership and managing for results (primarily the responsibility of the host government), alignment and harmonization (primarily the responsibility of donors), and mutual accountability (a joint responsibility of government and donors). In the case of alignment, there are 10 sub-indicators, of which one (reliable country systems) is primarily the host government's responsibility. Ownership and mutual accountability each consist of a single indicator, whereas harmonization includes two sub-indicators. See Annex I for the list of Paris Declaration indicators and targets.

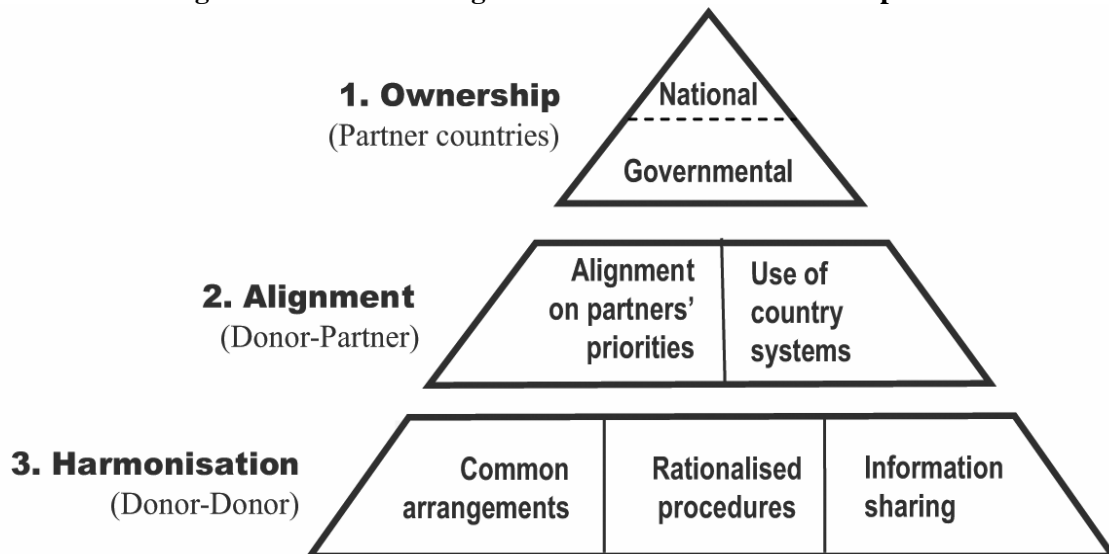
It may be questioned whether the Paris Declaration, intended to cover aid to “normal” developing countries, has much applicability in a heavily conflict-affected situation characterized by much devastation, like that faced in Afghanistan. Following good principles of aid effectiveness may indeed be a secondary consideration when trying to engage in reconstruction during combat, just as it is in emergency relief responding on a very urgent basis to natural or other catastrophes. However, once the phase of humanitarian emergency or outright conflict has passed, neglecting good practices in terms of aid effectiveness (as embodied in the Paris Declaration) becomes problematic. This is particularly so when state building forms a central element in the overall development agenda, as in Afghanistan. In its emphasis on national ownership, alignment and harmonization on the part of donors, managing for results, and mutual accountability, the aid

effectiveness agenda is fully consistent with and supportive of building an effective, accountable state.

It should also be noted that the aid effectiveness agenda as embodied in the Paris Declaration is focused on processes rather than substance and results. But the ultimate test of aid effectiveness is whether it achieves development outcomes, how, and at what cost. Thus results measurement and monitoring and evaluation (M&E) are of critical importance, and although the Paris Declaration includes core elements of managing for results and mutual accountability, what is actually achieved is critical, not just the management process and who is held accountable.

The triangle shown in Figure 1 below depicts how the different elements of aid effectiveness are related, and the respective responsibilities of the aid recipient countries (called “partner countries”) and donors. The triangle highlights the importance of government ownership as well as broader national buy-in at the pinnacle, harmonization among donors at the base, and alignment around country priorities and use of country systems to link countries’ and donors’ activities coherently together.

Figure 1: Schematic Diagram of Paris Declaration Principles



Source: OECD.

How have Afghanistan and its international partners performed in implementing the Paris Declaration? Box 1 briefly summarizes Afghanistan’s status with respect to each of the Paris Declaration indicators.² Overall, there has been significant progress with respect to those indicators for which the government is primarily responsible, although still a long way to go. As noted earlier, the government has prepared a number of high-quality strategy documents, culminating with the ANDS, and a Medium-term Fiscal Framework (MTFF) is in place. However, much work will be required to ensure that the strategy is well-prioritized, disciplined by an MTFF that is anchored by a realistic resource envelope, and that development priorities are increasingly integrated in the annual budget over time.

² There are annual updates on the implementation of the Paris Declaration with respect to international assistance to Afghanistan, prepared by the Ministry of Finance in consultation with donors, which provide a much more detailed assessment indicator by indicator.

Box 1: Paris Declaration Indicators—Summary Status in Afghanistan

OWNERSHIP

1. National development strategy with clear priorities linked to a medium-term expenditure framework and reflected in annual budgets. The Government of Afghanistan has prepared a number of important strategy documents since 2002, which have laid out national objectives and broad approaches for different sectors and development areas. Most recently, the Afghanistan National Development Strategy (ANDS) is a very comprehensive document, which is based on sound poverty data and analysis and on a very extensive consultation process reaching every province and major group of the population. Afghanistan has also, starting in 2005, prepared a Medium-term Fiscal Framework (MTFF) with projections of fiscal aggregates and main expenditure components. However, the ANDS needs to be better prioritized, and identified priorities linked more closely with poverty reduction and with the MTFF and annual budget, and the MTFF needs to be anchored by a realistic resource envelope (this has been complicated by the very large increase in the resource requirement put forward in the ANDS).

ALIGNMENT

2. Reliable country systems (procurement and financial management). Afghanistan has made good progress in establishing some reliable country systems. A credible budget process has been put in place and progressively improved, although there is much room for further improvement in prioritization in particular of the development budget. Financial management processes and controls are functioning effectively. A new Procurement Law has been promulgated and regulations have been prepared, although much needs to be done to develop adequate capacity in the Government to conduct procurement transactions.

3. Aid flows aligned on national priorities. Most aid has not been channeled through the national budget and therefore suffers from lack of alignment. Aid that is on-budget is well aligned and smoothly finances the recurrent budget in particular, but is affected by weak government prioritization in the case of the development budget.

4. Coordinated support to strengthen capacity. Technical assistance has been by most accounts inefficient, wasteful, and poorly aligned with national requirements and sustainable capacity-building. This is a problem area that needs serious attention.

5a. Use of country financial management systems. Use of Afghanistan's public financial management systems occurs for the minority of aid that flows through Government budget channels, but not for most aid.

5b. Use of country procurement systems. Same as for Indicator 5a, although it must be recognized that government capacity to fully implement the new Procurement Law is still very limited; a number of donors have stated that they are willing to use national procurement procedures when the capacity exists.

6. Avoiding parallel implementation structures (parallel Project Implementation Units—PIUs). For aid flowing outside national budget channels, donors often set up implementation and project management units that are not part of the government. On the other hand, there tend not to be such isolated, parallel (to government agencies) PIUs for aid that is channeled through the national budget. It must be recognized that special implementation arrangements may be required even in the case of aid that goes through the national budget in many cases, until sustainable core national capacity is developed. But the critical need is for any such arrangements to be under the leadership of and to interact closely with the government agencies concerned, rather than working in isolation. A mentoring / capacity development role for such PIUs should be built into their Terms of Reference.

7. More predictable aid. There has been reasonable progress in this regard for the aid channeled through the national budget. The ARTF, in particular, provides predictable support to Afghanistan's operating budget (by maintaining a "cushion" of funds so that ARTF resources for the operating budget are protected from seasonal or other fluctuations in donors' contributions). Off-budget aid on the whole tends to remain less predictable for a variety of reasons, although there may be variation across donors.

8. Untied aid. With the exception of ARTF contributions and assistance by international financial institutions which by their nature are untied, bilateral donors' practices vary considerably and correspond to their global practices on tied versus untied aid.

HARMONIZATION

9. Use of common, program-based approaches. Considerable amounts of aid have been provided to support government-led national programs, but most aid has been channeled through discrete projects not part of national programs, or, if there was a programmatic element, it was often donor-driven. It should be recognized however that harmonization by donors around largely donor-led programs can achieve some positive benefits; rehabilitation of the highway network is an example.

10. Encourage shared analysis. There has also been progress on shared analysis and work. Donors have worked together in cooperating on key analytical tasks and also often in terms of joint missions. Coalescence of donors around joint analytical work has been facilitated when there was a clear lead from the government. Where such government leadership has been lacking, the risk of fragmented or conflicting analytical work by donors has been greater.

MANAGING FOR RESULTS

11. Transparent and monitorable performance assessment frameworks. Transparent and monitorable performance assessment frameworks have been developed for some sectors (e.g. Health). The program budgeting initiative, started in three ministries and subsequently expanded, includes results frameworks for the sectors/programs concerned. However, the monitoring and evaluation (M&E) framework in the ANDS has a very large number of indicators, many of them not well-specified or immediately relevant, and needs to be streamlined to make it more manageable and useful. The ARTF includes a Performance Assessment Matrix (PAM) which provides a results framework for areas that are highly relevant for the success of the ARTF.

MUTUAL ACCOUNTABILITY

12. Mutual assessments of progress in implementing agreed commitments on aid effectiveness. This is an important principle of the Afghanistan Compact: both government and donors are accountable for pursuing the objectives and achieving the benchmarks of the Compact. More narrowly, in the Paris Declaration context, mutual accountability refers to conducting mutual assessments of progress in implementing agreed commitments on aid effectiveness. The government is taking the lead in monitoring progress in this regard, and many donors are fully supportive.

Note: Some indicators are paraphrased; hence wording may not be identical to that found in the Paris Declaration.

Source: Organization for Economic Co-operation and Development (2005).

Reliable public financial management systems are in place, and the recent assessment of Afghanistan's PFM systems based on the indicators developed by the multi-agency Public Expenditure and Financial Accountability (PEFA) group show significant improvements since 2005 (see Table 1). In many areas, Afghanistan has reached middle-income country levels, albeit by relying on heavy infusions of temporary capacity provided by international firms. Nevertheless, some progress is evident in reducing reliance on this external capacity. Further improvements in PFM are needed, and are envisaged by the Ministry of Finance in its reform program. A particular priority is improvements in procurement based on the new legal and procurement policy framework that has been put in place.

The general pattern with respect to alignment and harmonization is that the minority of aid funds that are channeled through Afghanistan's national budget are at least broadly in line with Paris Declaration indicators, whereas most off-budget aid understandably tends to be much less aligned and harmonized. Thus a way forward in implementing the Paris Declaration in the case of Afghanistan is to increase the proportion of aid channeled through the national budget, while further improving government systems and strengthening the government's strategic leadership and ownership to help facilitate a continuing progressive shift toward more on-budget aid. It should also be emphasized that progress in improving aid effectiveness on the ground can be and has been achieved by means of aligned and especially harmonized assistance to effective government-led national programs. Notable examples include the Basic Package of Health Services (BPHS) and the National Solidarity Program (NSP), among others.

With respect to mutual accountability, in 2006 the international community and the Government of Afghanistan subscribed to a comprehensive Afghanistan Compact with five-year benchmarks, and associated with it are a monitoring and dialogue process overseen by a Joint Coordination and Monitoring Board (JCMB) co-chaired by the government and UN. This process represents a serious attempt to operationalize meaningful mutual accountability. Despite undoubted benefits, it appears to be rather burdensome (not least in terms of the number of meetings) and mechanically process-oriented, although there have been some improvements more recently. There is no sign that the JCMB process can offset the deficiencies related to off-budget aid. The government, led by the Ministry of Finance, is also striving to monitor progress in implementation of the Paris Declaration, as part of an international effort in this regard.

It should also be noted that the Afghanistan Compact itself puts great emphasis on improving aid effectiveness. Based on the twin principles of government leadership (in setting priorities and strategies and in aid coordination) and transparency and accountability of both government and donors, the Compact Annex on aid effectiveness puts forward a set of mutual commitments for actions by the government and by donors (see Annex II).

Finally, and not reflected in the Paris Declaration indicators, development communication—both within the government and especially with the full range of national stakeholders—is another problem area. Positive messages about progress have not been emphasized strongly enough, nor repeated often enough to have a commensurate impact on perceptions. Inflated expectations have been exacerbated by high-profile meetings, numerous high-level visits, and public announcements of large amounts of assistance requested, available, or pledged. This area has not received sufficient priority from either Government or donors, and there has been fragmentation in communications, with little coordination for the most part. As a result, not only have positive benefits been limited, but disappointed expectations among the populace are increasing.

What Has Worked in Afghanistan

Afghanistan has much rich experience in recent years with substantial amounts of aid provided and utilized under different modalities. These range from emergency humanitarian relief (which was the main mode of assistance during the Taliban period and has continued thereafter) and reconstruction and development activities funded directly by international military forces (Provincial Reconstruction Teams), to bilateral aid executed outside government channels, project aid that forms part of the national budget (IFIs), budget financing by multi-donor trust funds, and direct budget support. There are useful lessons to be learned from this complex and varied experience.

As noted earlier, in situations of natural disasters or where an insurgency is active, outright combat is occurring, and the security of aid agencies is seriously threatened, there is often no viable alternative to going outside government channels, especially where the government is non-existent or is a major part of the problem. However, the limits of assistance in such circumstances should be recognized. Moreover, there are serious risks associated with PRTs or others working closely with local power-holders who make use of such relations and assistance to build up their own power bases and enhance their position vis-à-vis rivals, undermining rather than supporting the state building agenda. In such situations, it would be better to provide assistance on a temporary basis that is not overly influenced by local power-holders.

Once a humanitarian emergency is over, the security situation improves, and a government is beginning to become more active (however imperfectly), a transition away from such temporary arrangements needs to be made. Otherwise there is a risk that they will distract and detract from state building which is a central element of the development agenda. For example, PRTs have a much weaker rationale in more secure parts of the country (particularly since their direct role in providing security in a locality appears to be limited), and therefore an exit strategy is needed with clear markers based to a large extent on the local security situation and stability. Similarly, humanitarian relief needs to be merged into government systems after the emergency period passes. If there are longer-term humanitarian/social protection issues that persist during the state-building phase, the associated activities (which may continue to be largely financed by international assistance) need to make a transition into national social protection and relief programs that contribute to rather than inadvertently detract from the state-building agenda.

Turning to lessons from experience with other aid to Afghanistan since 2002, at the sector level development performance not surprisingly has varied widely. Great progress has been achieved in Health (through implementation of the BPHS, mainly by non-government providers), and in community-based small-scale rural infrastructure development under the NSP. Extraordinary success has been achieved in expanding mobile telecommunications through competitive private sector development with regulation, and rehabilitation and construction of roads has achieved significant progress albeit often at relatively high unit costs. But progress has been poor in the energy sector and also in most other infrastructure, as well as in urban services and in agriculture. Considerable social protection has been provided through humanitarian assistance, but without a strong strategy or effective government programs. Education has seen tremendous increases in access, with elementary school enrollments (including most impressively for girls) reaching unprecedented levels, but there are serious concerns about the quality of education at all levels. And education is being delivered predominantly through the traditional highly centralized government service delivery model, with teachers having the status of civil servants, which raises a number of questions of fiscal sustainability, accountability, and efficiency.

Although different models of the role of the state and service delivery have been used in the various sectors, the most important determinant of performance appears to have been the strength and cohesion of Afghan leadership in line ministries. Ministries which, led by the minister himself or herself or a competent, cohesive, empowered leadership team below the minister level, have developed and implemented a sound approach to the sector, have achieved considerable progress. On the other hand, ministries lacking leadership and a cohesive management team at the top have struggled and have achieved much less if any progress. It is also clear from experience that Afghan leadership has been the dominant factor as compared with the ex ante quality, orientation, and amount of donor technical and financial assistance to a sector. In successful sectors and line ministries, donor support also looks like it played a very positive role ex post (and often actually did so), but this relationship does not hold ex ante. Thus the impact of external assistance depends very much on the quality of Afghan line ministry leadership.³

Thus the first lesson from experience in Afghanistan is the need for cohesive, pro-active government leadership at the ministry level. This seems to have been an essential ingredient in nearly all successful development programs.⁴ It does not mean perfection or large numbers—just a small ministry leadership / management team that works well together in pursuit of agreed ministry objectives. In successful examples, this often started with a nucleus of only a few—no more than a half-dozen—Afghan leaders and managers working together.

The second lesson is that on this basis, sound national programs can be developed and can achieve good development results. A programmatic approach makes much more sense than fragmented projects. Good examples include the BPHS, implemented in many provinces through Performance-based Partnership Agreements (PPAs); NSP which as supported community-driven development and small local infrastructure projects; the micro-finance program; and others. The design work on such national programs can be supported by international technical inputs, but these should be guided and managed by Afghan leadership, which ensures that the vision and program are fully government-owned.

Third, even with the severe capacity constraints faced in Afghanistan, effective government leadership can buy in capacity to oversee and administer programs, and contract out implementation to non-government entities. Such extraordinary measures can work particularly well if good practices are followed in contracting for such capacity, i.e. transparent and competitive procurement.

Fourth, in this context it must be emphasized that foreign technical assistance (TA) needs to be responsive to the demands of ministry leadership, with foreign advisors limited in number, reporting to ministry management rather than to donors, and working as a cohesive team among themselves and with ministry managers. TA can achieve good results with such approaches, but requires an adequate degree of ministry leadership and management in order to be effective. TA should not be seen as a substitute for government leadership, or for public administration reform; in fact, TA can easily become part of the problem in the absence of government oversight at the ministry and agency level.

Fifth, aligned, harmonized international assistance can contribute to the success of strong national programs. At a minimum, aid should be aligned with national programs and support them, rather

³ This suggests that with leadership and management improvements, the performance of lagging line ministries could be raised closer to that of better-performing ministries, with major benefits for sectoral and overall development.

⁴ The rehabilitation of major highways, which was more of a donor-driven initiative, was a partial exception. However, in this case the program involved rehabilitating an existing network, without difficult decisions about new roads or prioritization among competing investments. Moreover, progress was achieved but at high and varying unit costs.

than going for parallel, donor-executed programs. Co-financing and pooled financing of national programs harmonize in a very concrete way assistance at the program and sector level.

Sixth, solid government PFM systems play an important role by ensuring that funds are utilized as programmed, reducing risks of diversion or misuse of funds, and encouraging donors to provide assistance through government channels. In this context, the government has made good progress in improving public financial management (PFM) as noted earlier, which has enabled it to effectively spend increasing amounts of financial resources through the national budget.

Finally, Afghanistan's experience amply demonstrates that building outward and upward from success tends to work far better than trying to dictate or mandate success from the top down. A successful program can be expanded, scaled up, and as appropriate replicated more widely. Without the substance and ingredients of success at the program level, top-down efforts tend to face great difficulties.

Experience in Afghanistan also provides some examples of aid approaches and practices that have been harmful and should be avoided:

- Self-designated (individually, or by the donor community, in the absence of government leadership) “lead donor” arrangements should be avoided. These have been a serious impediment to some dimensions of security sector reform in Afghanistan, for example.
- Individual donors who “go their own way” and do not align their assistance with national programs or priorities are not supporting the central element of state-building in a country like Afghanistan.
- Undermining of overall government leadership due to “sweetheart” relationships between individual donors and particular line ministries can be damaging in a situation where both sides may be fragmented and should be avoided, particularly when the Cabinet may to some extent lack inter-ministerial cohesion (as noted earlier).
- Going for quick impacts without taking into account medium-term dimensions and dynamic implications can be counter-productive. An important example is not taking into account life-cycle costs of decisions and investments, which turn out to be unaffordable later, and, consequently, don't deliver the expected results.

There is also much “unfinished business” in improving both government effectiveness and aid effectiveness. While buying in capacity and contracting out program delivery have worked reasonably well in jump-starting programs and delivering results, the transition to more sustainable forms of national capacity must be made. This in turn requires an effective public administration. Sub-national levels (provinces and districts, as well as municipalities) are particularly in need of sustainable capacity development. While there is a solid platform to build on in the case of PFM, this agenda needs to be continued, sustained, and taken further. And the integrity agenda is extremely important given widespread perceptions of pervasive corruption.

Ways Forward

As is made explicit in the Paris Declaration, aid effectiveness is a shared objective requiring joint efforts by government and donors. Aid effectiveness is intended ultimately to support greater development effectiveness, and that is where this concluding section of the paper starts from.

Achieving Better Development Results

Based on the lessons from Afghanistan's experience as to what works in achieving development results, a promising, two-pronged way forward would be as follows:

Building on success: This means expanding and scaling up existing, tried, and successful national programs. Much mileage can be gained in terms of development effectiveness by doing more of what has already been demonstrated to work well in the Afghan context. Good examples of existing national programs that can be scaled up with commensurate increases in development results include most notably NSP, micro-finance, basic public health services, and rural access. More than just scaling up, however, these programs often establish institutional and human capacity that can be entry-points for other programs at the local level. Building on success also means thinking creatively about the opportunities for synergies between programs.

Replicating the ingredients for success in lagging sectors and programs: This means, in particular, ensuring that small but strong and cohesive Afghan leadership teams are in place in key ministries where performance hitherto has been weak, and that under their leadership effective national programs are developed / improved. In this context, greater focus on infrastructure (based on improvements in infrastructure ministries) and private sector development would make sense, as well as (closely related) more attention to the agriculture and urban sectors.

The above two-pronged approach can achieve meaningful progress and development results—provided that the key ingredients for success are built on and replicated in lagging sectors and programs. However, ***governance bottlenecks will increasingly undermine the state and put all gains at risk if left to fester*** and not addressed. Thus from a development effectiveness perspective, the government with support from the international community needs to:

Build through further reforms on the progress achieved in improving PFM, with a focus on further improving the quality of the development budget, making procurement work under the new Procurement Law and regulations, and further strengthening downstream monitoring, evaluation, and audit as well as further promoting transparency and external accountability in PFM. Further improvements in the Medium-term Fiscal Framework, using it as a tool for broader prioritization within a realistic resource constraint, and strengthening linkages with the annual budget process will be especially important.

Revitalize public administration reform, applying the same lessons of experience that have worked in successful national programs, as well as in the substantial progress achieved in PFM. The Pay and Grade reform urgently needs high-level attention and strong leadership and management. It is also important to continue and deepen the difficult efforts being made toward merit-based appointments in the civil service. More focus is required on ***improving sub-national administration,*** within the parameters of Afghanistan’s unitary state structure, by de-concentrating management from central ministries to provincial departments. In this context, the objective clearly should be ***better service delivery.***

There has been little progress in ***reducing corruption,*** which is widely perceived to be pervasive and is undermining the credibility and legitimacy of the state. Improvements in PFM in recent years have reduced the risk of misuse of budgetary funds, and envisaged further improvements will have additional benefits in this regard. So concerns about corruption should not prevent donors from channeling resources through the national budget; moreover, it should not be presumed that by going off-budget donors can sharply reduce the risk of corruption let alone have any guarantee that there will be no corruption. However, the government urgently needs to demonstrate high-level commitment and actions in fighting corruption more generally beyond the PFM sphere. As recommended in the government’s anti-corruption roadmap paper of 2007, this could be accomplished in the near term by (i) promulgating and implementing a near-term action

program of feasible yet credible measures against corruption; (ii) clarifying the institutional arrangements and responsibilities for anti-corruption efforts; and (iii) strengthening leadership of and fostering political support for the agencies involved in fighting corruption. The government can also make progress in preventing corruption, by further developing and implementing the recommendations made in a number of vulnerabilities to corruption assessments that have been conducted for key sectors, agencies, and functions.

Security is an essential public good and indeed a prerequisite for development success, and in this context the deteriorating security situation in parts of the country, and perceptions of widespread insecurity and lack of rule of law, are of serious concern. ***Reforming the police***, so that it helps improve security rather than being a source of insecurity and corruption for much of the population, is an urgent priority. ***Improvements in the justice sector*** also are required, while maintaining reasonable expectations about how much change can be accomplished, how quickly.

Finally, ***measuring development results and holding managers accountable for performance*** in this regard are very important, not only for achieving the results themselves but also for demonstrating progress and building credibility. This requires efforts ranging from technical work to develop sensible and manageable results frameworks, indicators, and data, to strengthening external accountability and promoting transparency vis-à-vis parliament and the public. In this area as well, there is much useful experience to build on, one example being the Performance Assessment Matrix (PAM) which has been developed to provide a results framework for the ARTF (see Box 2), particularly in core PFM and PAR areas. Beyond tracking performance benchmarks, the PAM establishes a platform for coordinated policy dialogue between the donors and government. It also offers the potential for enhancing mutual accountability.

Improving Aid Effectiveness

The above recommendations for the government to make further and redoubled efforts to achieve development results will also, if implemented, result in improved aid effectiveness in areas that are the responsibility of the government. National leadership and ownership for key sectors and programs will be strengthened, country systems will be improved, governance risks reduced, and external accountability enhanced.

From the perspective of donors, there is also much that can and should be done to reinforce the government's development efforts and help improve aid effectiveness.

First, ***donors should coalesce around successful and improving government-led national programs, and expand harmonized financing for these programs***. Co-financing, joint financing, and financing through the ARTF are among the options in this regard. However, it must be emphasized that increased donor funding cannot achieve commensurate results in the absence of the basic ingredients of success on the government side.

Second, and subject to the ingredients of good practice based on lessons from experience being in place on the government side in the sectors concerned, ***donors can increase their financing of major infrastructure***, including notably irrigation and power. From a medium-term perspective, Afghanistan will desperately need some major infrastructure investments to exploit its water and other resources in the interest of broad-based development. Pro-active programs to better support and help stimulate private sector development also are of high priority.

Box 2: The ARTF Performance Assessment Matrix (PAM)

The ARTF’s Performance Assessment Matrix has been designed (in collaboration with donors) to enable ARTF donors to evaluate the effectiveness of assistance that flows through the budget. The World Bank, working closely with the Ministry of Finance and other government agencies, updates the PAM and presents it on a quarterly basis to ARTF donors. The PAM areas of focus form a subset of those covered by the Afghanistan Compact—allowing donors to zero in on particular areas of interest. The PAM is also intended to be a vehicle to stimulate concrete policy dialogue on selected areas of interest to ARTF donors and the government.

The PAM provides a platform for policy discussion between donors and government in the context of the ARTF – which provides financing worth one third of operational and one quarter of development spending through the Core Budget. It is thus a tool for mutual accountability: good performance should result in more financing.

The following areas are monitored in the PAM, using a detailed set of indicators.

PAM Benchmark Areas	Justification
Public Finance Management	PFM is critical for the appropriate and effective utilization of ARTF resources, and moreover the national budget process has a major impact on the prioritization of spending and results achieved
Aid Effectiveness and Mutual Accountability	Aid effectiveness goes to the heart of the ongoing partnership between Afghanistan and the international community, with the focus being on financial aspects in the context of the ARTF. Thus this part of the policy dialogue reinforces and enhances the corresponding objectives in the Afghanistan Compact as well as more broadly the Paris Declaration on Aid Effectiveness.
Development Sectors: Education and Health	These are key social services for human development in Afghanistan, and the ARTF is a major funder of both (especially Education), notably through the recurrent budget. (Depending on the experience with these two sectors, additional sectors may be included in the ARTF policy dialogue process and PAM later, as appropriate.)
Public Administration Reform	PAR is a core element of the state building agenda: specifically with respect to the ARTF, PAR is extremely important for developing the sustainable core capacity in the government that enhances the impact of external assistance through the Core Budget and from a longer-term perspective will reduce Afghanistan’s dependence on expensive and unsustainable international capacity.

The PAM is a flexible instrument that could be expanded, adjusted, or fine-tuned as necessary.

Third, *the benefits of coordinated financing are wider than the support it provides* to sound national development programs. The burden on government that would have been exacerbated by separate financial arrangements with multiple donors is reduced. Building on programs such as NSP which has attracted pooled funding from 10 ARTF donors, steps can be considered to move toward a sector-wide approach model (SWAp). SWAps are generally found in countries with stronger institutional foundations—however, in Afghanistan the ARTF has supported a fiduciary framework sufficient to allow for pooled funding around programs. This model has the benefit of providing a bridging mechanism toward genuine SWAps once program budgeting becomes a reality. Of course, this approach is appropriate only where ministries have strong capacity and leadership—in those cases, they can build strong ownership and accountability for results against an ANDS sector strategy.

Coordinated financing through the national budget contributes to both alignment and aid harmonization, and thereby to greater aid effectiveness, in a very powerful way.⁵ The ARTF is a proven and effective instrument for this purpose. Donors that normally take strictly bilateral approaches to aid and deliver their aid outside the national budget may wish to consider treating Afghanistan as a special case or pilot for providing at least part of their assistance on-budget.

At a more basic level, and as a minimum standard that all donors need to adhere to, is ***provision of accurate information on assistance executed outside the national budget***. This should be as complete and timely as possible, and include the full range of off-budget assistance encompassing humanitarian relief aid, support to security sector reform, reconstruction and other projects funded and/or executed by PRTs, etc. As mentioned earlier, donors should also be willing to provide data on unit costs of standard investments and services that they are financing outside the national budget, which will be very helpful for both government and international community.

Another priority for donors is to ***help improve the quality of TA and its management***. TA should not be seen as the solution to problems it cannot correct; TA works best when there is at least a minimum adequate degree of government management and oversight; and TA needs to be coordinated (aligned) rather than fragmented. When the necessary government leadership is not in place, and especially when there are numerous advisors and multiple TA providers and donors to an agency, TA easily can become part of the problem rather than part of the solution. Thus TA should not be extensively used under such conditions. In ministries and agencies with a minimum adequate level of management to absorb and oversee TA, various options can be explored to improve the management and coordination of TA under government leadership (see Box 3).

Box 3: Options for Improving the Management, Coordination, and Financing of TA

There are various specific options for improving the management and coordination of TA, including the following (in decreasing order of ambition, difficulty, and likely effectiveness):

- ***Pooled funding of TA*** for a ministry or agency, with the TA contracted through government channels. This kind of financing mechanism fully reinforces an effectively coordinated, government-led approach to TA.
- ***A single TA provider*** for the concerned government ministry or department, which reports to the Afghan leadership of the ministry or department.
- ***A lead provider designated by the Government*** that coordinates and oversees all the TA to the unit, with the full agreement and cooperation of the other TA providers.
- ***A lead individual advisor designated by the Government***, who provides oversight and guidance to all TA, for and on behalf of the Government.
- ***Coordinated planning by multiple TA providers, under Government leadership and guidance.***

The best option to pursue is likely to vary with conditions in different ministries and agencies, and with donors' cohesion, policies, and constraints.

Closely related, and as emphasized in the Paris Declaration, ***isolated and parallel project implementation units (PIUs) are problematic and should be avoided***. While in view of the very limited capacity in government, special arrangements for project management and oversight of implementation often may be needed, such units should report to the government ministry or agency concerned, and preferably be co-located with and integrated in the management of the ministry or agency, to the maximum extent possible.

⁵ This also addresses quite effectively other obstacles to aid effectiveness, such as tied aid.

Another priority area is *local procurement*, which can support Afghanistan's development directly as well as improving aid effectiveness and promoting sustainable capacity development in the private sector. In particular, local procurement for many of the requirements of the international military forces currently in Afghanistan has great potential to generate demand to stimulate local production of foodstuffs and other products. This will also encourage quality and standards in the private sector, which will translate into greater competitiveness for export development and import substitution more generally. Local procurement (in both military and civilian sectors) needs to be supported by pro-active efforts to assist Afghan businesses in enhancing their ability to compete for contracts.

Finally, *mutual accountability is critical for aid effectiveness*. The Afghanistan Compact itself represents an innovative approach to shared accountability and includes enhancing aid effectiveness as an explicit objective (see Annex II). The first step is to have an agreed results framework against which to measure performance. However, the benchmarks of the Afghanistan Compact are numerous and in many cases far too ambitious to serve as a realistic measure of accountability for performance. In the ANDS as well, the results framework needs to be streamlined and made more manageable. It is probably best to start small, expand the results framework over time, and build on what works. For example, one option is to leverage the ARTF's mechanism for mutual accountability – the PAM. As noted above, the PAM establishes clear benchmarks for the effectiveness of the Core Budget. In 1386, the ARTF financed nearly a third of the operating budget and one quarter of the development budget – ARTF donors are therefore key stakeholders, alongside the Ministry of Finance, in the performance of the core budget. Both may be able to use the PAM as a means to assess performance in this area.

In conclusion, *this paper recommends fostering development and improving aid effectiveness by building on success at the program and sector level, developing further and expanding proven mechanisms, applying the lessons from experience to lagging sectors and programs, and more generally scaling up what works well*. The primacy of effective government leadership must be recognized, and also that financial and technical assistance from the international community cannot substitute for the government's role. Donors can provide well-aligned, harmonized support for successful and improving national programs, help improve the quality of TA and its management, avoid isolated and parallel PIUs, and facilitate more local procurement. Government with support from the international community needs to address key governance bottlenecks, notably by making further improvements in PFM (building on the good progress made to date); revitalizing public administration reform, demonstrating high-level commitment and taking some actions in fighting corruption; and reforming the police and making improvements in the justice sector. Finally, efforts by both government and donors to improve aid effectiveness need to be subject to mutual accountability, which in turn requires a sound, manageable results framework.

**ANNEX I: PARIS DECLARATION ON AID EFFECTIVENESS
INDICATORS OF PROGRESS
(To Be Measured Nationally and Monitored Internationally)**

OWNERSHIP		TARGET FOR 2010	
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.	
ALIGNMENT		TARGETS FOR 2010	
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p>(a) Public financial management — Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.</p> <p>(b) Procurement — One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.</p>	
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.	
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		5+	All donors use partner countries' PFM systems.
		3.5 to 4.5	90% of donors use partner countries' PFM systems.
		PERCENT OF AID FLOWS	
		Score*	Target
5+	A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.		
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		A	All donors use partner countries' procurement systems.
		B	90% of donors use partner countries' procurement systems.
		PERCENT OF AID FLOWS	
		Score*	Target
A	A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.		
B	A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.		
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress over time.	

ANNEX I (continued)

HARMONISATION		TARGETS FOR 2010
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.	66% of aid flows are provided in the context of programme-based approaches.
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	(a) 40% of donor missions to the field are joint.
		(b) 66% of country analytic work is joint.
MANAGING FOR RESULTS		TARGET FOR 2010
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	Reduce the gap by one-third — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
MUTUAL ACCOUNTABILITY		TARGET FOR 2010
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	All partner countries have mutual assessment reviews in place.

* Scores for indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under indicator 2 above.

PRS = poverty reduction strategy; PFM = public financial management

Source: <<http://www.aidharmonization.org/ah-wh/secondary-pages/Paris2005#declaration>>

ANNEX II: IMPROVING THE EFFECTIVENESS OF AID IN AFGHANISTAN (Annex II of the Afghanistan Compact)

The international community has made a significant investment in the future of a democratic state of Afghanistan since December 2001. This Compact is an affirmation of that commitment. The Afghan Government and the international community are further committed to improving the effectiveness of the aid being provided to Afghanistan in accordance with the Paris Declaration on Aid Effectiveness (2005), recognising the special needs of Afghanistan and their implications for donor support.

Consistent with the Paris Declaration and the principles of cooperation of this Compact, the Government and the international community providing assistance to Afghanistan agree that the principles for improving the effectiveness of aid to Afghanistan under this Compact are:

1. Leadership of the Afghan Government in setting its development priorities and strategies and, within them, the support needs of the country and the coordination of donor assistance;
2. Transparency and accountability on the part of both the Government and the donors of the international assistance being provided to Afghanistan.

Under these principles and towards the goal of improving the effectiveness of aid to Afghanistan, the Government will:

- Provide a prioritised and detailed Afghanistan National Development Strategy (ANDS) with indicators for monitoring results, including those for Afghanistan's Millennium Development Goals (MDGs);
- Improve its abilities to generate domestic revenues through, *inter alia*, customs duties and taxes; and to achieve cost recovery from public utilities and transportation;
- Agree with donors, international financial institutions and United Nations agencies on the benchmarks for aid channelled through the Government's core budget and for the utilisation of such aid; and monitor performance against those benchmarks; and
- Provide regular reporting on the use of donor assistance and performance against the benchmarks of this compact to the National Assembly, the donor community through the Afghanistan Development Forum and the public at large.

The donors will:

- Provide assistance within the framework of the Afghanistan National Development Strategy; programmes and projects will be coordinated with Government in order to focus on priorities, eliminate duplication and rationalise donor activities to maximise cost-effectiveness;
- Increasingly provide more predictable and multiyear funding commitments or indications of multiyear support to Afghanistan to enable the Government to plan better the implementation of its National Development Strategy and provide untied aid whenever possible;
- Increase the proportion of donor assistance channelled directly through the core budget, as agreed bilaterally between the Government and each donor, as well as through other more predictable core budget funding modalities in which the Afghan Government participates, such as the Afghanistan

ANNEX II (continued)

Reconstruction Trust Fund (ARTF), the Law and Order Trust Fund for Afghanistan (LOTFA) and the Counter-Narcotics Trust Fund (CNTF);

- Provide assistance for the development of public expenditure management systems that are essential for improving transparency and accountability in the utilisation of donor resources and countering corruption;
- Recognise that, because of the need to build Afghan capacity, donor assistance provided through the external budget will be designed in such a manner as to build this capacity in the Government as well as the private sector and non-profit sector;
- Ensure that development policies, including salary policies, strengthen national institutions that are sustainable in the medium to long term for delivery of programmes by the Government;
- For aid not channelled through the core budget, endeavour to:
 - Harmonise the delivery of technical assistance in line with Government needs to focus on priority areas and reduce duplication and transaction costs;
 - Reduce the external management and overhead costs of projects by promoting the Afghan private sector in their management and delivery;
 - Increasingly use Afghan national implementation partners and equally qualified local and expatriate Afghans;
 - Increase procurement within Afghanistan of supplies for civilian and military activities; and
 - Use Afghan materials in the implementation of projects, in particular for infrastructure;
- Within the principles of international competitive bidding, promote the participation in the bidding process of the Afghan private sector and South-South cooperation in order to overcome capacity constraints and to lower costs of delivery;
- Provide timely, transparent and comprehensive information on foreign aid flows, including levels of pledges, commitments and disbursements in a format that will enable the Afghan Government to plan its own activities and present comprehensive budget reports to the National Assembly; this covers the nature and amount of assistance being provided to Afghanistan through the core and external budgets; and
- For external budget assistance, also report to the Government on: the utilisation of funds; its efficiency, quality and effectiveness; and the results achieved.

These mutual commitments are intended to ensure that the donor assistance being provided to Afghanistan is used efficiently and effectively, that there is increased transparency and accountability, and that both Afghans and the taxpayers in donor countries are receiving value for money.