

Aid and Afghanistan's future

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Date : September 23, 2016

Afghanistan is preparing for a major international aid conference on 5 October in Brussels. Ameen Habibi is Deputy Minister for Policy in Afghanistan's Ministry of Finance, and in charge of his government's preparation for the conference. On his recent visit to Canberra, he talked with Devpolicy's Nematullah Bizhan about the Brussels conference, and lessons learned from aid to Afghanistan to date.

Nematullah: *What are the differences between the priorities that the Afghan government will present at the Brussels conference, and priorities identified in the past?*

Ameen: The difference is that we have had the experience of the last fourteen years. We learned the hard way. Billions of dollars came to Afghanistan; they were utilised, but they could have been utilised more effectively. Now we have the commitment from the government leadership for reform, and this is crucial for boosting the economy and promoting the private sector. Meanwhile, the Afghan government is taking bold steps in pushing the regional agenda forward. The launch of the [CASA 1000](#), [TAPI](#) and railway projects are notable examples. The whole idea is to move towards self-reliance and less dependence on aid as our economy grows and private sector thrives. Some other developing countries receive aid of between 10-15 per cent as ratios to their budget, and we are moving in that direction.

Nematullah: *Did Afghanistan use aid effectively?*

Ameen: As far as the government of Afghanistan is concerned, we used aid effectively but could have done much better. As you know, aid effectiveness depends not only on the role of the Afghan government but also our development partners. Aid is aligned to government priorities, but there is still room for improvement. Aid is, for example, divided into on-budget aid, which flows through the government budget and systems, and off-budget, which bypasses the government budget and systems. This year 57 per cent of development aid was on-budget. If we bring the rest of our aid through the government system, it would have a multiplier effect in the country. Off-budget aid and lack of alignment of aid with government priorities are the two major challenges. Another challenge is that the cost of development is very high in Afghanistan, because of the way contracts are awarded. Capacity is also an issue when it comes to implementation. These factors have increased the cost of development in Afghanistan. For example, building a kilometre of road in Afghanistan will cost much more than doing the same elsewhere in the region.

Nematullah: *The government proudly talks about reforms in the procurement process. What has changed?*

Ameen: In the past, we had the same framework for procurement as we have now. The procurement committee was chaired by the Minister of Finance, with membership from other ministries, including the Ministry of Economy. Procurement was an area perceived as being highly corrupt. Contracts granted in the past were not seen as transparent. This does not mean that the system was not transparent, but the perception among people was that contracts, both security and non-security, were mired in corruption. We did not have a high-level committee to oversee the procurement process. Thus, the National Procurement Authority was established in 2014, which has saved billions of Afghanis so far.

Companies in the past would bid for a project. In some cases, however, it was found that all of the companies belonged to the same person, but they were using different names. Such problems can be controlled by a system such as the National Procurement Authority. In the past, we had the procurement committee, but we did not have dedicated staff with the right skills. Now a dedicated and professional team is devoted to the procurement process and undertakes all the due diligence before it comes to the decision-making stage.

Since the establishment of the National Procurement Authority, now we see that all projects submitted for approval are taking into consideration all the necessary requirements. But going forward, slowly, the idea is that in the medium term, procurement processes should go back to the ministries.

Nematullah: *Concerning the effectiveness of military aid in Afghanistan, what surprised you during your experience transferring security assets from NATO to the Afghan government?*

Ameen: The international security forces built hundreds of bases. Construction of these bases created jobs for people. The value of these bases has not been estimated, but some bases were very big, costing more than a billion US dollars. The transport and construction sectors benefited the most. The high GDP growth we experienced in the past was the result of expenditure by international security forces. But there was miscoordination in planning. For example, at one of the bases that I visited, I noted that the electricity voltage was 110, while the voltage in Afghanistan is 220. It is important to realise that alignment takes place at all levels, both at the political and implementation levels. This is an example that we can learn from to better work together with our partners to achieve our common development and non-developmental objectives.

The issue with off-budget aid was not only corruption, but also transparency and accountability. With either off- or on-budget aid, the money is spent in the name of Afghan people, so we should know how many projects are implemented. The availability of information can also give a big picture to the Ministry of Finance, because once a project is completed the expectation is that the Afghan government should take responsibility for the operation and maintenance cost of such projects. If we initially know what has been built through off-budget aid, then we can take into consideration the operation and maintenance cost of the projects in the future.

Nematullah: *In using aid more effectively, government capacity is crucial. What is your assessment of the Afghan government's capacity?*

Ameen: We do have the capacity to prepare policies and strategies. Our problem is mostly in the areas of procurement and project design. However, certain sectors require the right kind of capacity, such as mining. We need more skills and capacity in understanding the different stages of mining contracts and so on.

Afghanistan has moved through different phases of development. In the beginning, more focus was on NGOs. But slowly, we have built institutions. Some donors still see Afghanistan as it was in 2002, and they spend most of their aid off-budget. The trust in the system should be there. Now it is time to think of the long term.

Alignment is another issue. There is a difference between what donors anticipate the needs are, and the actual needs. Consultation should take place at all levels, not just for input but for full ownership.

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Note to our readers: Monday 26 September is a public holiday in Canberra, so we will be taking a break. We'll be back with more posts on Tuesday.