



Islamic Republic of Afghanistan  
Ministry of Finance  
Aid Management Directorate

# Development Cooperation Report

2012-2014



# **Afghanistan's Development Co-operation Report 2012-2014**

**From Tokyo to London: A Progress Report on  
Development Co-operation**

**Ministry of Finance  
Aid Management Directorate**

## Disclaimer

This report relies on Official Development Assistance (ODA) data received from Afghanistan's Development Partners (DPs) for 2012, 2013 and 2014. Additional data came from Government's sources such as Ministry of Finance (MoF) and the Office of Central Statistics (CSO).

Some of the ODA data for the report was collected by the Ministry of Finance's Aid Management Directorate (AMD) during the Development Cooperation Dialogues (DCDs) held in 2012 and 2014. Data was also taken from the Development Assistance Database (DAD), which is the primary repository of aid data in Afghanistan and is updated by donors and the MoF on a regular basis. Other data was compiled from reports prepared by agencies responsible for the administration and management of multi-donor trust funds.

Because most of the data comes from sources outside of the MoF, the MoF is not responsible for the accuracy of the data presented herein.

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## Forward

The years 2012 to 2014 were a major period of transition for Afghanistan. During these years, ISAF and NATO forces gradually turned over responsibilities for security across Afghanistan to the Afghan National Security Forces (ANSF), which officially assumed control at the conclusion of the ISAF mission last year. Additionally, Afghanistan experienced its first-ever peaceful transfer of political power through the 2014 Presidential elections and the formation of the National Unity Government (NUG), a reflection of the desire across Afghanistan for political compromise and peace.

None of these achievements would have been possible without the generosity, support, and partnership of the international community. As emphasized in the 2014 London Conference and the 2015 Senior Officials Meeting, ongoing support and development assistance is critical in enabling the new Afghan Government to realize its vision for development during this period of transition. Indeed, development aid can play a catalytic role in building on the foundational achievements of the past 14 years and helping the government deliver on its aspirations to achieve self-reliance and stability in the coming decade.

This Development Cooperation Report, compiled by the Aid Management Directorate of the Ministry of Finance, is based on data submitted by donors to the Government of the Islamic Republic of Afghanistan (GoIRA) during the annual Development Cooperation Dialogues (DCDs). The DCDs are held each year with all development partners operating in Afghanistan, and are aimed at improving coordination and transparency between the government and the donor community. In 2014, United Nations agencies began participating in the process as well, a welcome and appreciated sign of their commitment to increasing coordination with the Afghan Government.

The report highlights some major achievements over the past few years. In line with commitments made during the Tokyo Summit in 2012 and as reflected in the official Aid Management Policy of Afghanistan, the donor community as a whole nearly succeeded in directing at least 50% of their development assistance through the Afghan budget between 2012 and 2014. Furthermore, many donors have made demonstrable efforts in signing formal Development Framework Agreements with the Government, aligning development assistance with Afghanistan's National Priority Programs, and using innovative programs, technologies, and modalities to make development assistance to Afghanistan more predictable and efficient. This report recognizes and celebrates those achievements as a sign of the significant progress that has been made in recent years in moving towards mutual accountability and greater aid effectiveness.

And yet, there is room for improvement. While some donors have exceeded their 50% on-budget targets and other aid effectiveness commitments, others have fallen behind or failed to make progress. Additionally, not all donors have fully complied with the requests of the Afghan Government to provide comprehensive information on their activities in the Development Assistance Database (DAD), the central system of aid transparency for the

Government. However, we should not lose sight of the fact that significant progress has been made since the 2012 Tokyo summit, and we will continue to work with the donor community towards realizing these targets and improving the aid reporting process.

For its part, the new Afghan Government has signaled its intentions to continuing to work towards achieving its own obligations towards aid effectiveness and greater transparency. The publication of this report is one of the means by which the GoIRA will fulfill those promises. We believe that the publication of comprehensive information on development assistance will help harmonize efforts of all parties and help policymakers in the government and donor community make more informed decisions on how aid should be allocated, for the ultimate benefit of the people of Afghanistan.

Eklil Hakimi

Minister of Finance

## Preface

For Afghanistan, a country that is dependent on foreign assistance for carrying out much of its core functions required for delivering public services and national development, the availability of reliable, complete and timely data and information on ODA is important for a number of reasons. Development assistance data will support the GoIRA and its donors in their efforts to track progress towards commitments made in major national and international conferences, such as those made in Tokyo (2012) and London (2014). The data will furthermore enhance mutual accountability by allowing the legislature, civil society organizations, and the general public to have access to information required for holding the government and the donors accountable for delivery of services and development interventions.

This report analyses the development assistance provided by DAC and non-DAC countries, tracking their development assistance from their pledges to disbursement through the on and off-budget systems. An analysis of disbursements based on Afghanistan National Development Strategy (ANDS) sectors, recipient ministries and provinces is provided. In addition to providing information about the quantity of ODA disbursements, the quality of development assistance is assessed through progress on the implementation of major aid effectiveness commitments made in the Tokyo Mutual Accountability Framework (TMAF). Finally, the report provides recommendations both to the government and the international community to reform existing practices and tap into underutilized sources of development finance for sustainable development.

The information in the report is based on data provided by Afghanistan's bilateral and multilateral donors and partners responsible for managing trust funds and GoIRA's financial tracking systems, including the Development Assistance Database (DAD). The availability of up-to-date and reliable data on aid is a difficult task in Afghanistan and much of the information reported in this report is subject to margins of uncertainty despite strenuous efforts by Ministry of Finance's Aid Management Directorate (AMD) in improving of the quality of data. This is mainly due to problems of incomplete or inconsistent data provided by the donors on their development activities, a lack of a unified system for tracking commitments and expenditures, and incompatibilities between the financial systems of donors and the GoIRA. However, the data presented in the report represents the best-available information on development assistance in Afghanistan between 2012 and 2014.



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## Acronyms and abbreviations

<b>HLF-4</b>	4th High Level Forum on Aid Effectiveness
<b>AAA</b>	Accra Agenda for Action
<b>ANSF</b>	Afghan National Security Forces
<b>AITF</b>	Afghanistan Infrastructure Trust Fund
<b>LOTFA</b>	Afghanistan Law and Order Trust Fund
<b>ANDS</b>	Afghanistan National Development Strategy
<b>ARTF</b>	Afghanistan Reconstruction Trust Fund
<b>AMD</b>	Aid Management Directorate
<b>APR</b>	Annual Portfolio Review
<b>ADB</b>	Asian Development Bank
<b>CBR</b>	Capacity Building for Results
<b>CBN</b>	Cost of Basic Needs
<b>DAD</b>	Development Assistance Database
<b>DCDs</b>	Development Cooperation Dialogues
<b>DCR</b>	Development Cooperation Report
<b>DFAs</b>	Development Framework Agreements
<b>DPs</b>	Development Partners
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>EI</b>	Extractives Industries
<b>FFO</b>	Federal Foreign Office
<b>BMZ</b>	Federal Ministry for Economic Cooperation and Development
<b>FAs</b>	Financing Agreements
<b>FSP</b>	Fiscal Strategy Paper
<b>FDI</b>	Foreign direct investment
<b>GAVI</b>	Global Alliance for Vaccination and Immunization
<b>GPEDC</b>	Global Partnership for Effective Development Cooperation
<b>GoIRA</b>	Government of Islamic Republic of Afghanistan
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>ICT</b>	Information Communication Technology
<b>IATI</b>	International Aid Transparency Initiatives
<b>GPE</b>	International Fund for Education
<b>JCMB</b>	Joint Coordination and Monitoring Board
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MoF</b>	Ministry of Finance
<b>MoFA</b>	Ministry of Foreign Affairs
<b>MPI</b>	Multidimensional Poverty Index
<b>NABDP</b>	National Area Based Development Program
<b>NPPs</b>	National Priority Programs
<b>NRVA</b>	National Risk and Vulnerability Assessment
<b>NRAP</b>	National Rural Access Program
<b>NSP</b>	National Solidarity Program
<b>NUG</b>	National Unity Government
<b>ND</b>	New Deal for Engagement in Fragile States

<b>ODA</b>	Official Development Assistance
<b>OBI</b>	Open Budget Index
<b>O&amp;M</b>	Operation and Maintenance
<b>OECD</b>	Organization of Economic Cooperation and Development
<b>PFM</b>	Public Finance Management
<b>PFML</b>	Public Finance Management Law
<b>PPP</b>	Public-Private Partnership
<b>Rfi</b>	Resources-for-Infrastructure
<b>SAWP &amp; PBA</b>	Sector-wide and Program Based Approaches
<b>SOM</b>	Senior Officials Meetings
<b>SPAs</b>	Strategic Partnership Agreements
<b>TA</b>	Technical Assistance
<b>TMAF</b>	Tokyo Mutual Accountability Framework
<b>TFs</b>	Trust Funds
<b>UNEP</b>	United National Environment Program
<b>USDA</b>	US Department of Agriculture
<b>VFM</b>	Value for Money

## Executive Summary

This *Development Cooperation Report* is a comprehensive overview of all reported Official Development Assistance (ODA) provided to Afghanistan between 2012-2014. It outlines the current economic situation in Afghanistan and the outlook for aid requirements and economic growth. It also examines how well the international community has fared in the years since the 2012 Tokyo Conference in making progress towards achieving its mutual commitments for aid effectiveness. Finally, the report asks whether the current frameworks governing aid effectiveness are adequate, and suggests a number of reforms to realign development cooperation to support the National Unity Government (NUG) vision for Afghan-led progress towards sustainable development.

### Effective development cooperation for poverty reduction and Economic Growth

ODA has been the main source of finance for development and poverty reduction in Afghanistan since 2002.

- **During 2012-2014, Afghanistan received a total of US \$12.9 billion in development assistance** or an average of US \$4.07 billion per year, accounting for 90% of total financial inflows to the country. Gross ODA in 2014 was US \$3.6 billion, a decline of 37% from US \$4.97 billion in 2013. Total ODA in 2012 was US \$4.39 billion.
- **In 2014, ODA amounted to 17% of GDP**, down from 24% and 21% in 2013 and 2012, respectively, indicating a declining but still significant level of aid dependence.
- **During 2012 and 2014, the Afghan economy grew at an average of 6.4% per year**, roughly in line with regional economic growth. However, economic growth plummeted to 1.9% in 2014, in part due to shocks from the electoral crisis and the withdrawal of foreign troops. Macroeconomic forecasts predict a recovery, with GDP growth projected at 4% for 2015 and 6.1% for 2016. However, it is expected that long-term growth rates will remain steady and Afghanistan will not return to the high rates of growth it experienced in 2010 (9%) and 2011 (11%).
- **Per capita GDP is expected to reach US \$750 by 2016**, a substantial increase from 2001, when per capital GDP was approximately US \$100. According to government data, the percentage of Afghan households suffering from multidimensional poverty has dropped from 93.2 to 77.1 percent between 2007/08 and 2011/12, though poverty varies significantly between provinces.
- **Domestic revenue collection underperformed during 2012-2014 and revenue collection slowed significantly in 2014.** The slowdown was caused by declines in sales taxes and customs tariffs, historically the two major contributors to domestic revenue.
- **Even if planned revenue reforms are implemented, Afghanistan will remain highly dependent on foreign aid for the financing of government operations**, particularly in financing the security sector, operations & maintenance (O&M), and new development projects. While the former two will gradually be taken on by the Government, the latter will likely require substantial donor support as late as 2025.

- **Currently, ODA support is projected to fall to 16% of GDP by 2016.** However, in order to maintain current levels of discretionary spending, direct aid support to the Government should not fall below 18% of GDP in the medium-term. Without higher levels of donor support, the Afghan Government will likely be forced to make critical spending cuts that will have a negative impact on development in Afghanistan and threaten progress made on reducing poverty and fostering growth.

### Development Assistance Post-Tokyo Conference

- **Since 2002, donors have collectively pledged US \$58.03 billion in ODA to Afghanistan.** Against these pledges, donors have committed US \$65.84 billion, representing 113% of total pledges, and disbursed US \$53.12 billion, or 92% of total pledges.
- **Two donors (Italy and Switzerland) have already exceeded their Tokyo pledges,** eight donors have committed at least half of their Tokyo pledges or are otherwise on track, and four donors are lagging behind on fulfilling their pledges. The MoF was not able to assess the progress of other donors at the time of publication.
- **The largest providers of ODA between 2012 and 2014 were bilateral donors (86.1%),** followed by multilateral agencies (12.1%). The US alone provided 35.3% of total ODA, while other major bilateral donors (Japan, Germany, the UK, Norway, Australia and Canada) provided another 41.4% of ODA. Three multilateral agencies—the EU, World Bank, and Asian Development Bank—contributed 12.2% of ODA. Altogether, these 10 donors disbursed 89% of total ODA over the three years.
- **Though they contribute over 80% of ODA, bilateral donors implement only 56% of ODA.** About 23.8% is channeled through multilateral banks (mainly through pooled funds) and 17.1% is channeled through the UN system. The MoF estimates that approximately US \$90 million of ODA is provided each year to multilateral agencies for the management of pooled funds.
- **About two-thirds (67%) of all ODA is allocated to project-type interventions,** with another 17% provided to budget support, 12% to humanitarian assistance, and 4% to technical assistance. The emphasis on project-based interventions carries a higher risk of aid fragmentation and duplication of efforts between donors.
- **Off-budget projects tend to be smaller in size on average—**58.7% of off-budget projects were very small (under US \$1 million), and 30.9% were small (US \$1-10 million). By contrast, only 21.7% of on-budget projects were very small, and 9.3% were over US \$50 million. When there are a large number of projects, it overwhelms the institutional capacity of the Government to effectively coordinate donor-financed projects.
- **Three sectors—Security, Infrastructure, and Agriculture & Rural Development—account for 49% of all ODA disbursed between 2012 and 2014.** However, there are differences in how on- and off-budget ODA is prioritized: on-budget spending focuses more on security, infrastructure, and agriculture, whereas off-budget spending focuses more on health and governance. Approximately 12 % of ODA provided to Afghanistan was spent on humanitarian assistance. As there is some overlap between ANDS sectors—notably rural development—a better system of classification for cross-cutting issues can help improve precision and reduce the amount of unclassified aid.

- **Data on ODA disbursements at the subnational level is not accurately captured and reported.** Only 72% of ODA reported between 2012 and 2014 was specified by province. Of this amount, 43% of ODA was allocated to 10 provinces, and the remaining 24 provinces received 24% of ODA. On a per-capita basis, Bamyan, Kunar, Uruzgan, Nimroz, and Kabul received the most ODA.
- **70% of total ODA between 2012 and 2014 was allocated to 10 Government ministries.** The top recipient of ODA was MRRD, followed by MoI, MoPH, MoE, and MoPW. The majority of budget entities and ministries, 50 in total, received only 21% of ODA, with the remaining 9% allocated across all ministries. At least three budget entities did not receive any funding from ODA between 2012 and 2014.

### Alignment of ODA with country systems and priorities

- **Between 2012 and 2014, 48% of ODA was disbursed through on-budget Government systems.** This is just under the 50% on-budget target established at the Tokyo Conference. The share of on-budget ODA has fluctuated from 49% in 2012 to 46% in 2013 to 50% in 2014. However, the total volume of on-budget ODA declined by 25% in 2014 compared to 2013.
- **Of 54 bilateral and multilateral donors, only 9 managed to achieve the 50% on-budget target.** Combined, these donors account for 31% of total on-budget assistance. Only four of the top 10 donors to Afghanistan have met or exceeded their 50% on-budget target.
- **70% of on-budget ODA was provided through four pooled funds.** The other 30% was provided to the budget directly, mainly in the form of project support. In these cases, aid money was used to support a specific activity through the national budget with donors retaining control of financing and management of the project.
- **While the use of pooled funds has increased over the past few years and has proved effective in bringing donor funds on budget,** it has not provided the Afghan Government with more budgetary flexibility and has given the administering agencies of these funds more influence over development policy. As the capacity of government systems increase, the next step will be for administrative control of pooled funds to transition to the Government.
- **The Government has increased its budget expenditure rate from 58% of total on-budget disbursement in 2012 to 67% in 2014.** Low expenditure rates are often considered the main bottleneck for placing ODA on-budget.
- **While many donors claim to have met the 80% target for ODA alignment with National Priority Programs (NPPs), there is a lack of consensus between the Government and donors as to what constitutes alignment.** According to data collected from donors who provided alignment data, \$9.2 billion of total ODA over the three years was aligned with NPPs. However, according to data collected from Afghan Ministries over a similar period, only \$4.4 billion of ODA was considered aligned, leaving a funding gap of \$8.4 billion against estimated needs.
- **In the future, donors and government agencies should work together to jointly monitor data on NPP alignment.** This will increase mutual understanding of alignment, promote a more balanced allocation of funds between individual NPPs, and help to further harmonize aid across donor agencies. The Government is

currently in the process of reviewing the NPPs to make them more simplified, time-bound, and focused on achieving specific and measurable results.

### Aid predictability and transparency

- **Afghanistan's high dependency on aid means that the Government needs access to data on current and future ODA allocations in order to plan expenditures effectively.** Both the Afghan Government and donor community have agreed to enhance transparency. The donors will provide comprehensive and timely data on ODA spending and projections through the DAD, and the Government will provide greater transparency on budgetary matters.
- **In 2014, 97% of total ODA was captured in the DAD,** making it the first year that almost all known ODA was captured in the database. This was up from 58% in 2013.
- **Improvement is needed on the timing and quality of the data received from donors.** Specific areas for improvement include collecting better quality geographic information and to ensure data is collected by specified deadlines so that it can be used in the national budget planning process. Additionally, only 17 out of 56 donors reported partial data on NPP alignment, and only 51% of donors provided commitment and disbursement data based on the Afghan fiscal year.
- **Despite commitments to improving aid predictability by providing three- to five-year ODA projections, most donors continue to provide projections on an annual basis.** While Afghanistan has signed a number of Development Framework Agreements with donors over the past three years, only some of these provide medium-term aid projections, and only a few have specific mechanisms for review and follow-up. Additionally, donors provide more details on medium-term ODA projections to the OECD than they provide to the Afghan Government.
- **The proportion of joint assessments that are conducted with donors and the Government has dropped from 35% in 2010 to 12.5% in 2013/14.** Donors have committed to conducting joint assessments as part of their TMAF commitments.
- **Only 41% of off-budget projects during FY 2012-14 had FAs in place,** while 100% of on-budget projects have FAs.
- **The GoIRA requires more data to accurately measure the impact of ODA in Afghanistan.** In particular, the GoIRA is lacking regular high-quality statistical data showing the evolution of socio-economic indicators. Though donors often carry out internal reviews of their projects, they rarely share these with the Government. Greater efforts should be made to carry out joint reviews of projects and/or make the results publicly available.

### Towards effective development cooperation

- **With the new Government in place, it is an opportune time to refocus on the aid effectiveness agenda** and develop new strategies to improve the quality of development cooperation.
- **At the international level, Afghanistan has endorsed the New Deal for Fragile States** and will be releasing the results of a national fragility assessment that will identify conflict-induced barriers to development as well as opportunities for

resilience in Afghanistan. These recommendations will inform revised development strategies and best practices for donors operating in the country.

- **At the national level, GoIRA and its development partners have agreed to a number of policy frameworks governing development cooperation that will be reviewed in 2015.** These policy frameworks include the Aid Management Policy (AMP), which provides a set of guiding principles for effective aid delivery in Afghanistan and includes lessons learned over the past decade from national and international best practices. Additionally, at the Kabul Senior Officials Meeting (SOM) in September 2015, the Afghan Government launched the Self-Reliance for Mutual Accountability (SMAF) paper, which reaffirms and updates mutual accountability deliverables previously laid out in the 2012 Tokyo Mutual Accountability Framework (TMAF). The Afghan National Development Strategy (ANDS) and NPPs will also be reviewed and refreshed to incorporate lessons learned over the past three years.
- **Development partners have made mixed progress in achieving their TMAF commitments over the past three years.** Donors have made significant progress bringing more aid on-budget and in providing information about ODA to the Government via the DAD. However, further improvements are still needed in the quality and timeliness of data provided, and donors should endeavor to provide medium-term ODA projections. Additionally, the proportion of joint assessments undertaken by the donors decreased in 2014, and it is unclear if donors have made progress in limiting the practice of excessive subcontracting.
- **In the new SMAF, GoIRA seeks a more balanced framework that emphasizes the need for development assistance to be more Afghan-led.** The SMAF includes specific commitments for donors and the Government, as well as a list of short-term deliverables to be achieved by both parties by the end of 2016.
- **The GoIRA and its development partners should focus on a number of urgent priorities in the short-term to improve aid effectiveness in Afghanistan.** These include:
  - Updating aid coordination mechanisms and reinvigorating the cluster coordination system;
  - Ensuring that that GoIRA provides input at all stages of new projects and programs, and that all off-budget projects are governed by Financing Agreements signed by the MoF;
  - Continuing to increase the amount of on-budget funding to exceed the 50% target, and moving towards greater Afghan administrative control of pooled funds with appropriate risk-mitigation strategies;
  - The Government will establish a joint working group with GoIRA and donor representatives to address how donors can meet with 80% alignment target while NPPs are being revised;
  - When government systems are in place, donors should strive to use them to the extent possible and should ensure that they are not duplicating or contradicting an existing government activity. Furthermore, salaries and benefits provided to Afghan personnel must adhere to CBR-defined scales;
  - All donor activities and their results should be monitored and registered in the DAD. Government counterparts should be provided with the results, ideally in one of the two local languages, and GoIRA should have the right to request an independent third party or a joint donor-government review;

- Sustainability should be built into the design of every project and should account for maintenance and running costs for at least five years. Clear and realistic strategies for transferring projects to government control should also be included.
- Donors should prioritize projects that focus on increasing the domestic revenue base of Afghanistan as rapidly as possible, particularly with regards to the responsible development of Afghanistan's mineral and petroleum resources;
- Donors engaged in humanitarian assistance should coordinate more systematically with the GoIRA and should report disaggregated information on their activities, including their planned allocations for each year;
- Donors should improve the timeliness and comprehensiveness of ODA provided to the Government, and should strive to provide forward spending data to align with the envisaged three-year budget cycle. Additionally, donors should provide additional information on projects whenever possible, including any technical assistance used, evaluations and audits, and gender impact;
- Donors should continue to sign Development Framework Agreements with the Government, including indicative but reliable forward-spending plans whenever possible;
- Donors should consider moving away from a project-oriented portfolio and adopt more programmatic and sector-based approaches. Three sectors—health, education, and agriculture—are good candidates to be piloted. Small and medium-sized donors should reduce the numbers of sectors they are involved in and make greater use of pooled funds such as ARTF to deliver aid;
- Development aid can play a particularly helpful role in facilitating regional trade and cooperation through implementing the main components of the OECD Aid for Trade initiative, improving customs, regulatory, and licensing procedures, and reducing transportation costs;
- Donors should support GoIRA in accessing alternative sources of development financing. These include strengthening the role of emerging donors, attracting more resources from the Afghan diaspora, increasing the share of vertical funds in financing projects, attracting more foreign investment, and facilitating public-private partnerships.



## PART I

### Chapter One

#### Effective Development Cooperation for Poverty Reduction and Economic Growth

With an average contribution of USD 4.07 billion per year for 2012-14, ODA is the main source of financing for development in Afghanistan. Donors spent USD 12.98 billion between 2012 and 2014 for infrastructure, governance, health, education and other services, which has resulted in improvements in the lives of many Afghans.

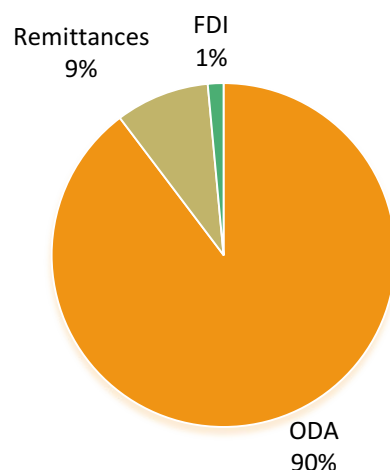
A comparison of income-based poverty rates between 2007/08 to 2011/12 does not show statistically significant changes. The nationwide poverty rate was 35.8 percent in 2011-12, compared to 36.3 percent in 2007/08. Adopting the multidimensional poverty approach, however, shows that the percentage of households considered “multi-dimensionally poor” has decreased from 93.2 to 77.1 percent between 2007-08 and 2011/12.

Macroeconomic forecasts predict a recovery from the 2014 downturn, with Gross Domestic Product (GDP) growth rates rebounding but still remaining below past trend levels. The role of aid is changing as the country is entering the Transformation Decade, during which the government is expected to lead in the provision of security, public services, and development projects. However, for Afghanistan to maintain the gains of the past decade and to make further progress in poverty reduction, the country will still require substantial levels of development aid, coupled with progress on reforms during the transformation decade.

This chapter examines poverty levels in Afghanistan using the Multidimensional Poverty Index (MPI). The chapter also provides a brief analysis of Afghanistan’s performance on key economic and fiscal indicators.

Since 2002, ODA has been the primary source of funding for development and poverty reduction in Afghanistan. Afghanistan received USD 12.98 billion, or an average of USD 4.07 billion per year, in development assistance from 2012 to 2014—an amount that is only 1.9 percent more than average ODA from 2002 to 2011.<sup>1</sup> During this period, ODA inflows accounted for 64 percent of resources available for development, including domestic revenue, and 90 percent of total financial inflows to the country (Figure 1-1).

Figure 1-1 Financial flows to Afghanistan, 2012-14

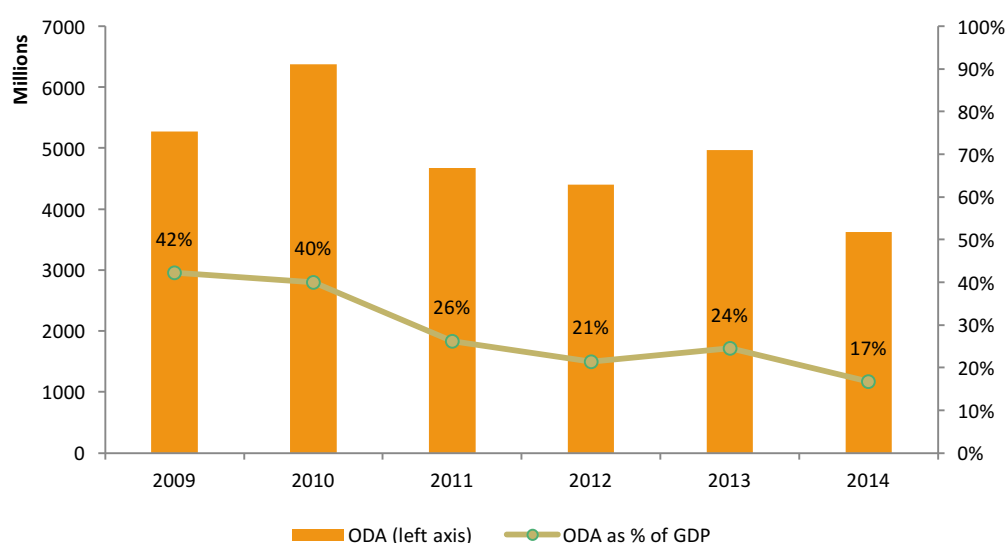


Source: MoF (2014).

Gross ODA flows were USD 4.97 billion in 2013, compared to USD 4.39 billion in 2012, representing a 12 percent increase. However, ODA flows dropped to USD 3.6 billion in 2014, representing a 37 percent decline compared to 2013. In 2014, ODA amounted to over 17 percent of GDP, down from 24 percent and 21 percent in 2013 and 2012 respectively (Figure 1-2). Between 2012-14, per capita ODA averaged USD 157.3 per year. In 2014, per capita ODA declined to USD 129 from USD 180 in 2013 and USD 162.8 in 2012. This decline is one of the many factors contributing to slower economic growth.

<sup>1</sup> MoF (2014).

Figure 1-2 ODA as a share of GDP, 2009-14



Sources: GDP calculation based on MoF data. Donors and MoF provided ODA data.

Between 2012 and 2014, the economy grew at an average of 6.4 percent, which is relatively in line with the regional average. However, economic growth slowed significantly to 1.9 percent in 2014 from 6.4 percent in the previous year. Slower economic growth, combined with continued reductions in ODA, will have negative implications for development and poverty reduction going forward.

An analysis of income-based poverty between 2007-08 and 2011-2012 shows no statistically significant change in nationwide incidents of poverty. The nationwide poverty rate was 35.8 percent in 2011-12, compared to 36.3 percent in 2007-08. However, adopting the multidimensional poverty approach shows that the percentage of households being multi-dimensionally poor has decreased from 93.2 to 77.1 percent between 2007-08 and 2011-12.

Afghanistan's economic outlook remains positive. Macroeconomic forecasts show a recovery from the 2014 downturn, with GDP growth rates rebounding but remaining below past trend levels. For Afghanistan to maintain the gains of the past decade and to make progress in poverty reduction, the country will require substantial levels of development aid coupled with progress on reforms during the transformation decade.

While the amount of aid matters, parallel progress is needed to make ODA more effective and fit for purpose. Supporting the capacity of the state to deliver public services, leveraging alternative sources of aid such as private and other flows, targeting the various dimensions of poverty with greater precision, and focusing on peace-building in order to reduce violence are the foundations of sustainable development and poverty reduction.

## Multidimensional Poverty in Afghanistan

The following section summarizes findings from government NRVA data regarding the state of multidimensional poverty in Afghanistan. It is intended to serve as a guide for donors and government officials in determining future allocations of ODA.

### Fewer deprived households, but many poor are poorer

An analysis of poverty using the MPI for 2011-12 NRVA data indicates that more than 77 percent of Afghan households are considered to be among the multidimensional poor. This means that these households are deprived for at least one third (33.33 percent) of MPI indicators (see Box 1-1). This figure contrasts with the standard poverty headcount, which stands at 36.5 percent.<sup>2</sup>

Those households that are MPI poor are deprived on average in about 56 percent of the 10 indicators in the areas of health, education and standard of living. Both the incidence of poverty and the intensity of poverty are much more pronounced in rural and *Kuchi* households than in urban households (Table 1-1).

Table 1-1 MPI National, urban, rural, and *Kuchi* households, 2011-12

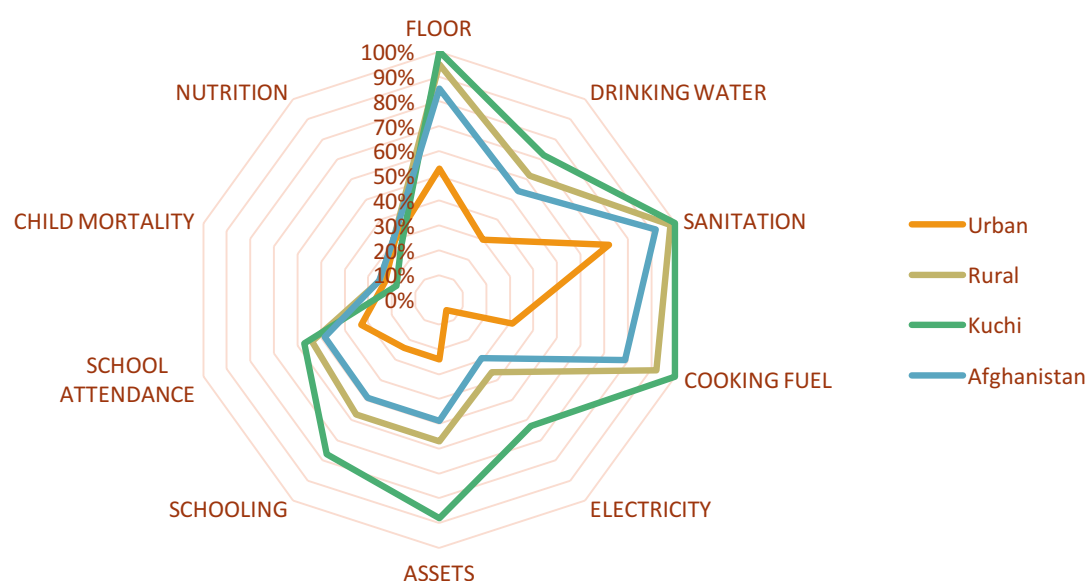
	Incidence of poverty (H), (%)	Intensity of poverty (A), (%)	MPI-Score (H x A)
Urban	45.9	48.2	0.22
Rural	85.9	57	0.49
Kuchi	96.8	59.6	0.58
Afghanistan	77.1	55.8	0.43

Source: Based on NRVA 2011-12.

Figure 1-3 indicates that there is a sharp contrast between the level of multidimensional poverty in urban and rural areas. The contrast is even sharper for the *Kuchi* population in comparison to both urban and rural groups. A closer examination of individual indicators shows that, although similar levels of household deprivation can be observed across these groups in health related indicators, there are pronounced differences in education access as well as for most indicators related to standard of living.

<sup>2</sup> Based on NRVA 2011/12, the poverty line is defined as 1,710 AFS per person per month. This represents the cost of attaining 2,100 calories per person per day based on the basic need basket set in 2007-08 and the cost of meeting basic non-food needs. A household is defined as poor if the total value of per capita consumption is less than the poverty line.

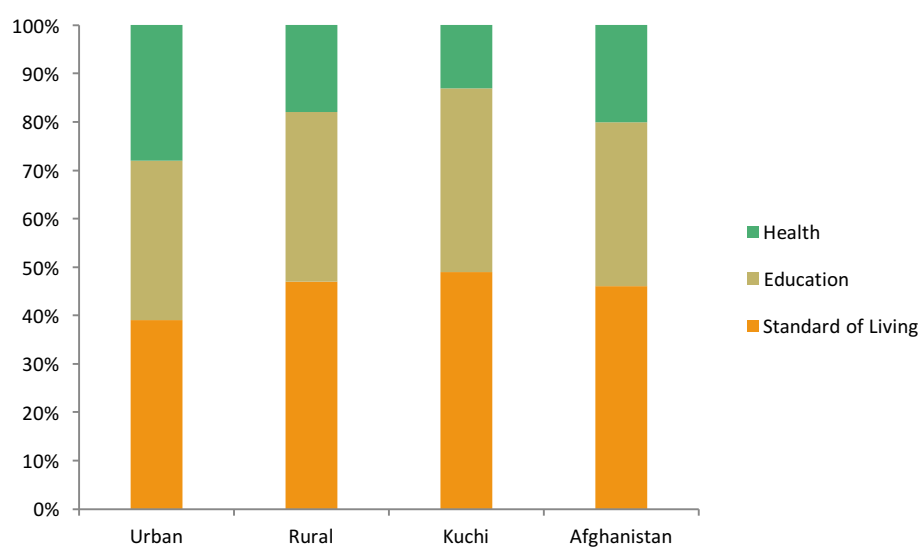
Figure 1-3 Incidence of poverty by indicator, 2011-12



Source: Based on NRVA 2011-12.

While the level of deprivation across each of the three dimensions of poverty is relatively similar for the urban population, poor standards of living appear to be the main contributor to overall MPI for rural and *Kuchi* populations (Figure 1-4). A more detailed distribution of the contribution of each indicator to overall MPI scores is provided in Table B-2 of O.

Figure 1-4 Share of each MPI poverty dimension for various groups, 2011-12

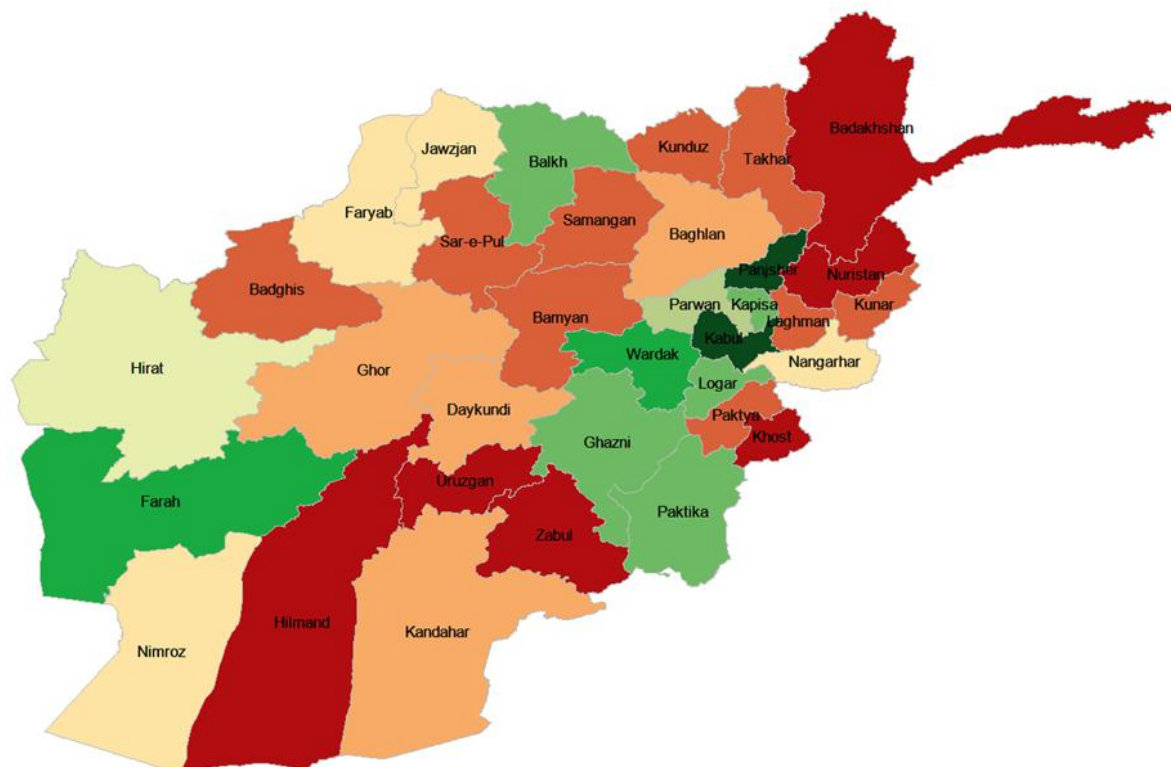


Source: Based on NRVA 2011-12.

## Poverty incidence rates vary significantly between provinces

As Figure 1-5 demonstrates, poverty incidence rates vary considerably between provinces. The central region is the least MPI poor, with no province having an incidence rate above 0.75. The south and northeast are the worst, with some provinces having an incidence rate above 0.95.

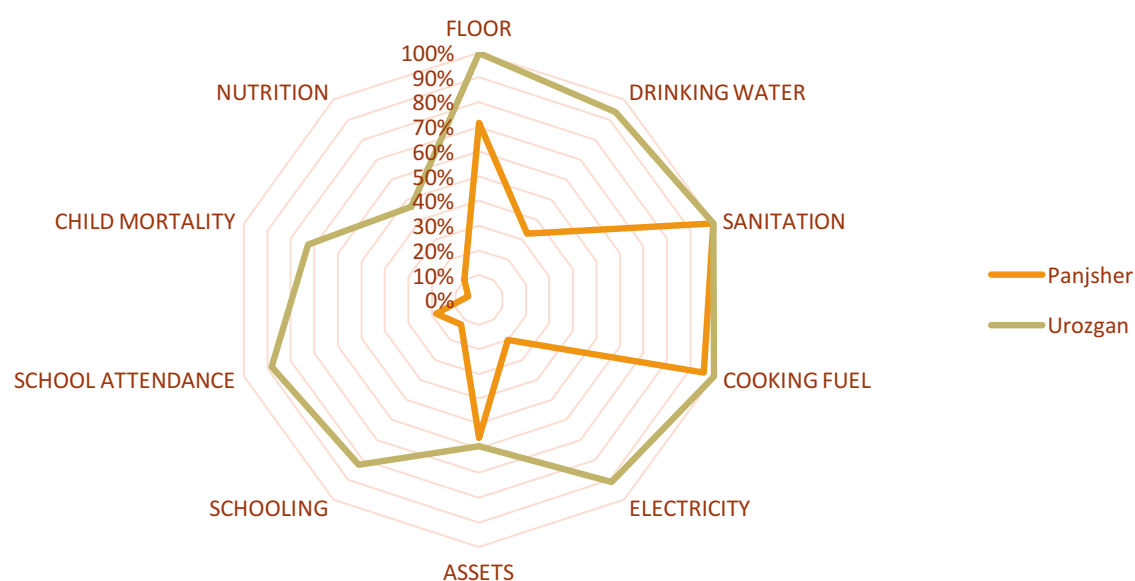
Figure 1-5 Incidence of poverty for each of the 10 indicators



Source: Based on NRVA 2011-12.

The prevalence and impact of the ten poverty indicators varies significantly from one province to another. Figure 1-6 illustrates differences in poverty indicators between the province with lowest incidence rate (Panjshir) and the province with highest incidence rate (Uruzgan). Table B-1 in 0shows poverty indicator scores by province.

Figure 1-6 Incidence of poverty for the 10 indicators in Panjsher and Uruzgan



Source: Based on NRVA 2011-12.

### From 2008 to 2012: a decline in multidimensional poverty

The overall change in national MPI scores from 2007-8 to 2011-12 indicates a reduction in poverty at the national level, including urban, rural and *Kuchi* populations. While the average income per capita remained approximately the same from 2007/08 to 2011/12, the national MPI score decreased from 0.51 to 0.43. This suggests that the overall level of deprivation in health, education and living standards has decreased for all groups (Table 1-3).

Table 1-3 MPI score comparisons by group between 2007-8 and 2011-12

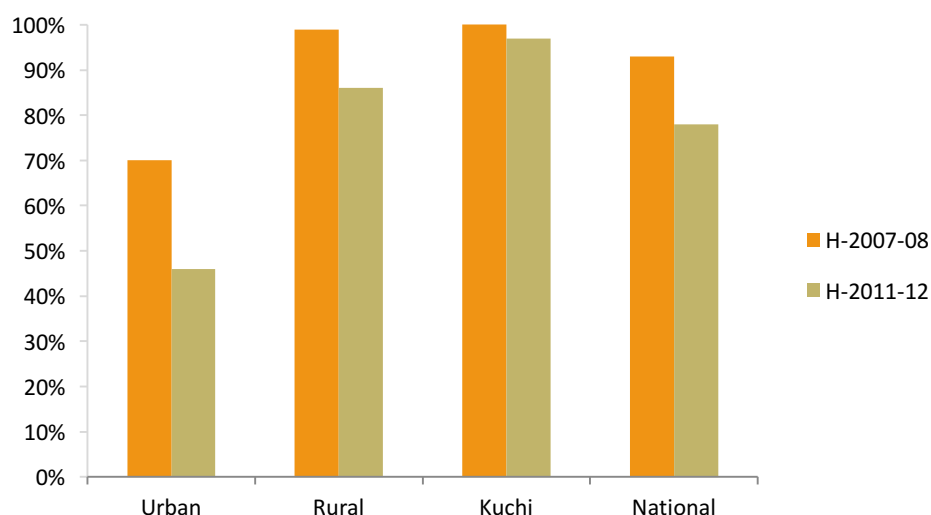
	MPI-2007-08	MPI-2011-12
Urban	0.29	0.22
Rural	0.57	0.49
Kuchi	0.63	0.58
Afghanistan	0.51	0.43

Sources: Based on NRVA data 2011/12 and 2007/08.

Using the poverty headcount as a reference, poverty has remained nearly the same from 2007-08 (36.3 percent) to 2011-12 (35.8 percent). However, in line with the reduction in MPI scores at the national level, the incidence of poverty, or the proportion of the population that is multi-dimensionally poor, has decreased from 93.2 percent to 77.1 percent (

Figure 1-7).

Figure 1-7 Changes in incidence of poverty, 2007/08 and 2011/12



Sources: Based on NRVA data 2011-12 and 2007-08.

The overall decrease in the incidence of poverty at the national level is distributed unequally between urban, rural, and *Kuchi* populations. The incidence of poverty has dropped by 23.7 percent in urban areas, decreased only by 13.1 percent in rural areas, and has remained nearly unchanged for the *Kuchi* population.

Some 30 provinces had a poverty incidence above 95 percent in 2007-08. However, this dropped to six provinces in 2011-12. With the exception of Helmand, all provinces have witnessed an overall improvement in poverty incidence. Panjsher has witnessed the highest improvement, with a drop from 99.7 percent in 2007-08 to 38.7 percent in 2011-12 (Figure 1-8 and Figure 1-9). In 2007-08, there were no provinces with a poverty incidence rate below 65 percent. However, four provinces fell below this line in 2011-12.

Figure 1-8 Incidence of poverty (h), 2007-08  
2011-12

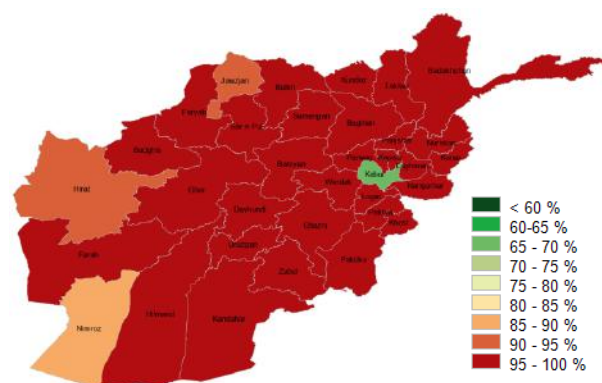
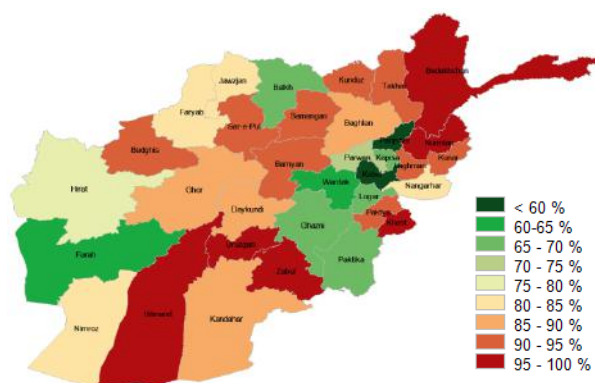


Figure 1-9 Incidence of poverty (h),  
2011-12



Sources: Based on NRVA 2011-12 and 2007-08.

The situation is different when it comes to the intensity of poverty. Indeed, the average proportion of indicators for which the poor are considered deprived has remained relatively consistent, with half the provinces seeing an improvement and the other half experiencing some deterioration (Figure 1-10 and Figure 1-11).

Figure 1-10 Intensity of poverty (A), 2007-08

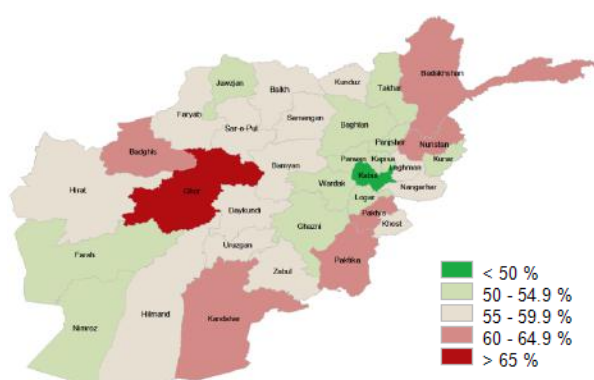
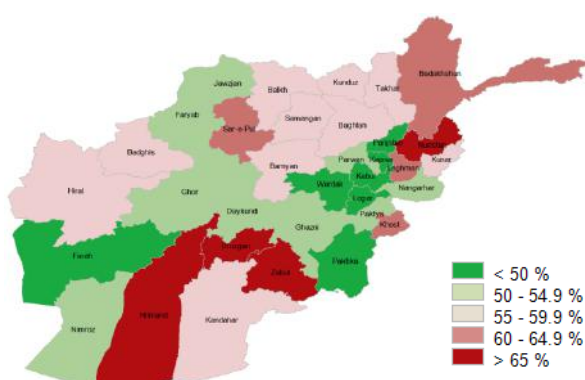


Figure 1-11 Intensity of Poverty (A), 2011-12



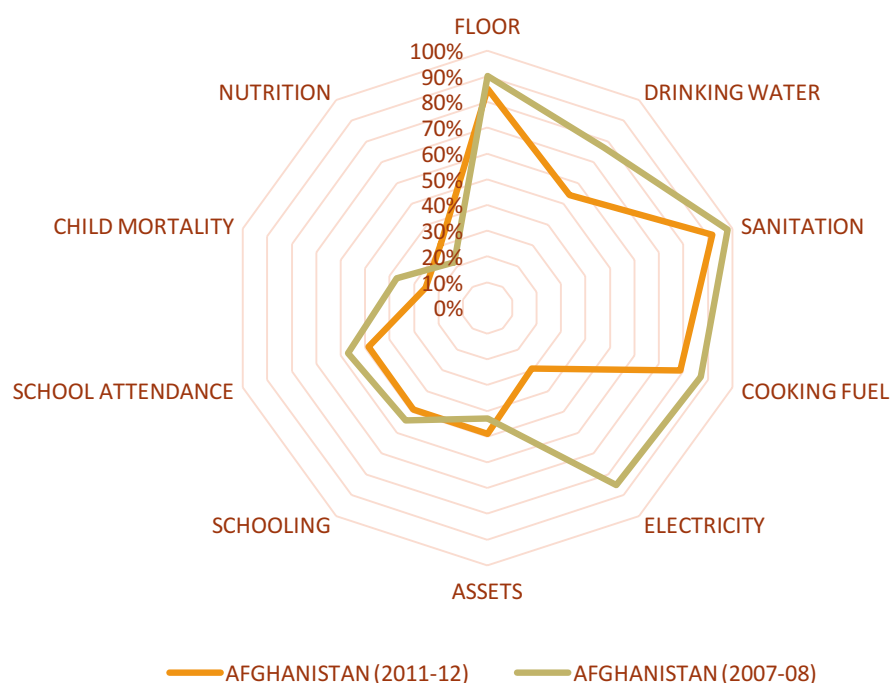
Sources: Based on NRVA 2011-12 and 2007-08.

A review of individual indicators reveals that the decrease in percentage of households considered as MPI poor is most striking when it comes to access to electricity and (to a lesser extent) access to improved drinking water.

The decrease in MPI poor is much less pronounced for indicators related to health and education. Some indicators even show a worsening of the situation. In fact, the percentage

of households unable to meet a minimum of 2,100 calories per person per day has increased from 21.7 percent to 30.8 percent. Household ownership of assets has also slightly declined on average.

Figure 1-12 Changes by MPI indicators, 2007/08 and 2011/12



Sources: Based on NRVA 2011-12 and 2007-08.

The changes in the 10 MPI indicators from 2007-08 to 2011-12 also vary drastically from one province to another. Panjsher, where the incidence of poverty decreased in all categories, has witnessed the most improvements, particularly when it comes to access to electricity, improved drinking water, and school attendance (Figure 1-13). By contrast, Zabul has seen deterioration in the poverty incidence in 5 categories (sometimes with a dramatic drop in nutrition, child mortality or assets). Two other categories, access to sanitation and cooking fuel, remained at relatively steady levels. Only electricity, schooling and school attendance saw some minor improvements in Zabul (Figure 1-14).

Figure 1-13 Poverty incidence between 2007-08 and 2011-12 in Panjshir

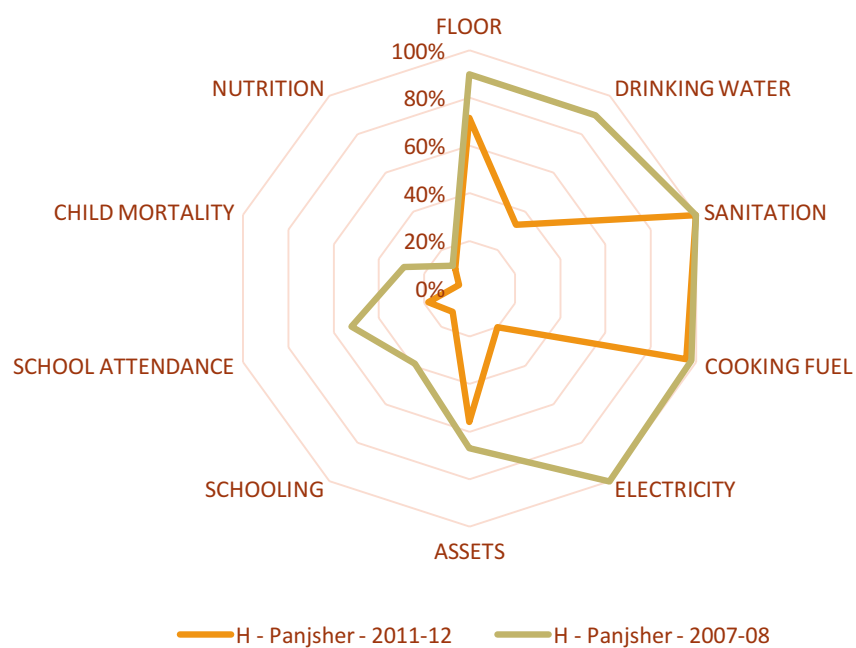
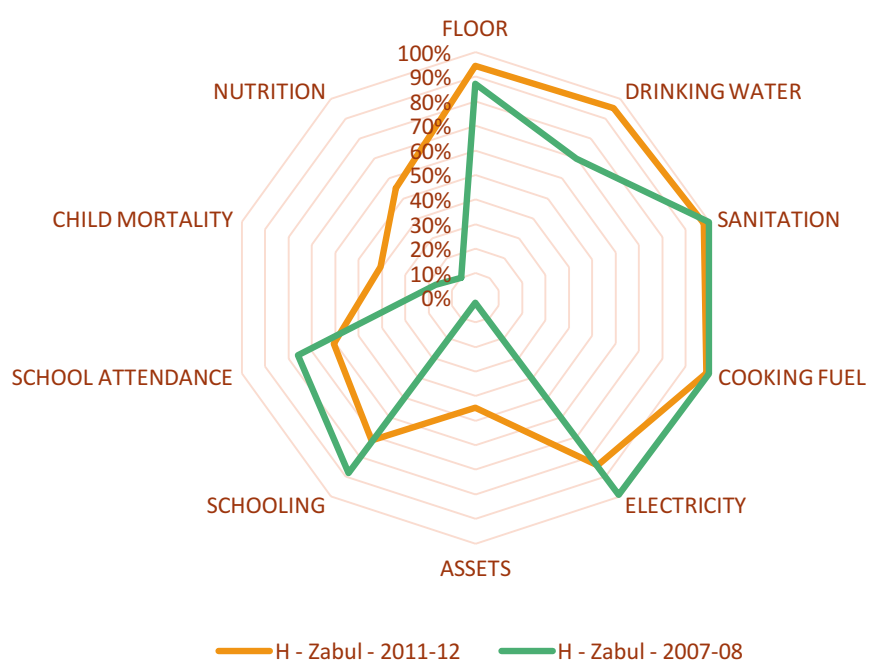


Figure 1-14 Poverty incidence between 2007-8 and 2011-12 (Zabul)



Source: Based on NRVA 2011-12 and 2007-08.

## The Afghan Economy is Growing, but Growth is Declining

The average growth rate of the Afghan economy between 2012 to 2014 was 6.4 percent, which is in line with regional economic growth. The fiscal year 2014 was an exceptional year. In this year, an extended presidential election process and the transition of the NATO mission in Afghanistan caused an economic slowdown. Per capita income has increased over the past decade from USD 439.2 in 2009 to USD 683.7 in 2014.

Macroeconomic forecasts to 2016 show a recovery from the 2014 downturn. However, it is expected that in the medium to long-term, Afghanistan will typically see lower rates of growth compared to the high levels of 2011 and 2012.

Table 1-4 Macroeconomic forecast

	2011	2012	2013	2014	2015	2016
Real GDP (% Change)	8.70%	10.90%	6.40%	1.90%	4.00%	6.10%
Nominal GDP Level (USD. bn)	17.81	20.89	22.11	21.71	22.67	23.90
Nominal GDP/Capita (USD.)	622	715	742	714	730	754

Source: Fiscal Policy Department, Ministry of Finance 2014 (Estimates).

GDP is expected to increase due to growth in the services sector. Historically, agriculture has been a large component of the GDP. However, this has been a volatile source of growth. Construction, which has also been a large component of economic growth in recent years, is not a sustainable driver of growth in the long term. In the immediate term, uncertainty around the 2014 elections drove down GDP growth, with a drop to 1.9 percent in 2014 from a high of almost 11 percent two years earlier.

Per capita GDP is expected to increase to about USD 750 by 2016, a substantial improvement from 2001, when it was as low as USD 100. This remarkable growth can be attributed to a dramatic expansion in the services sector and a recovery in agriculture. While the informality in much of the agriculture sector remains an issue, there have been large gains in local production and reduced volatility as irrigation techniques have expanded.

In addition, the mining industry is forecast to begin operations in earnest around 2018, with mining activity making up a substantial portion of economic activity. However, this will depend on possible contract renegotiations, the security situation, and international prices. While international commodity prices are forecast to slowly increase over the coming years, they will likely remain lower than in recent history.

The services sector, particularly government services, is projected to continue to grow even as donor assistance shrinks. However, government services will not grow as quickly as in the past. The telecommunications sector has been a major source of economic activity, while the banking sector remains a challenge and possible constraint to growth.

As would be expected in a growing economy, agriculture is forecast to diminish as a proportion of overall activity as manufacturing and services grow at a faster rate. Nevertheless, the agriculture sector is expected to see improvements in efficiency and yields, with a major challenge being seasonal price volatility caused by the practice of dumping produce.

## Lower Domestic Revenue

Domestic revenue collection in 2012-2014 did not perform to target. The budgeted target for the FY 1394 (2013-14) was AFN 133.8 billion (USD 2.33 billion). However, the MoF collected only AFN 100 billion (USD 1.79 billion) during this period, falling significantly short of the original estimate. Historically, two of the major contributors to domestic revenue are custom tariffs and sales taxes, both of which declined significantly.

The budgeted domestic revenue collection for 2015 is AFN 125.5 billion<sup>3</sup> (USD 2.20 billion), which represents a forecasted AFN 114.0 billion (USD 1.72 billion) in base revenue collection and additional revenues from new tax measures.<sup>4</sup> Revenue collection in the first three months of the current fiscal year fell slightly below expectations. This was in part due to a slower than expected recovery in import revenues. Slower economic activity in 2014 also resulted in lower than expected business tax payments.

Table 1-5 Revenue sources

Billion USD	2013	2014	2015	2016	2017
	Actual		Budget	Forecast	
Domestic Revenue	<b>2.11</b>	<b>1.79</b>	<b>2.20</b>	<b>2.12</b>	<b>2.18</b>
Tax	1.0	0.9	1.1	1.2	1.2
Customs	0.5	0.5	0.5	0.5	0.5
Non-Tax	0.6	0.4	0.6	0.4	0.5
Grants <sup>5</sup>	<b>3.775</b>	<b>3.209</b>	<b>5.314</b>	<b>4.440</b>	<b>4.088</b>

Source: MoF (2015).

The current forecast for revenue collection in 2016, set out in the MoF's Fiscal Strategy Paper (FSP), is AFN 127.0 billion (USD 2.12 billion). However this figure relies on new measures being put in place, and assumes reasonably normal levels of economic activity. The GoIRA has committed to ensuring that there are funds available as a cushion in the

<sup>3</sup> Including AFN 2.0 billion from mining revenues

<sup>4</sup> These new measures include: an increase in flight fees, a new tax on mobile phone credit, an increase in certain tariff lines, the fuel fee and an increase in Business Receipt Tax (BRT).

<sup>5</sup> Future grant figures are based on a rules-based forecast in line the commitment to phase out support.

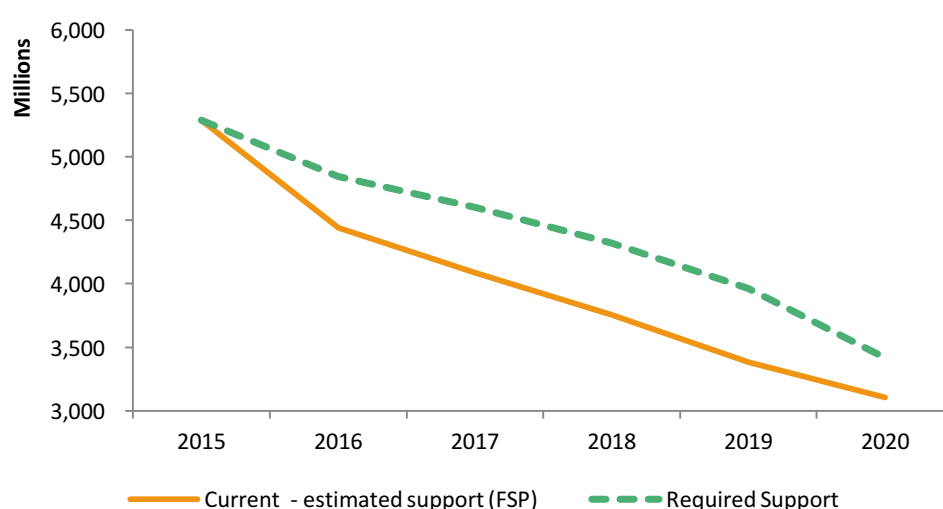
Treasury Single Account by the end of the year, and to building up reserves over the medium-term.

Increased pressure from falling revenue growth, as well as expenditure pressures including Operation and Maintenance (O&M) expenses, pensions and salaries, will likely lead to decreases in the discretionary budget envelope over the coming years.

### Afghanistan will remain dependent on foreign aid over the next decade

The chart below shows the aid requirements for the budget to maintain the current level of discretionary expenditure.

Figure 1-15 Aid requirement to maintain current discretionary spending



Source: Fiscal Policy Department, Ministry of Finance (2015 estimates).

Under the base scenario:

- Support for the security sector is assumed to phase out over the medium-term in line with the requirement to reduce support to zero by 2024.
- A small requirement for O&M spending has been incorporated into the non-discretionary envelope to take into account the accumulation of new capital spending and World Bank (WB) forecasts for baseline O&M spending. However, the scenario assumes this will phase out quickly, at which point O&M will become a discretionary component.
- Wage growth assumptions are in line with new GoIRA macroeconomic forecasts and to ensure sustainable future wages.
- Donors will not support non-security operational costs, except a small contribution to some salaries and goods and services costs. However, this will be quickly phased out.
- This medium-term scenario does not incorporate the introduction of VAT, but does make assumptions about the introduction of new measures:

- Strict controls over security sector spending, limiting spending to less than USD 5.1 billion per year.
- Limits on the growth of the civil service and the expansion of health and education services.
- Mining revenue year-on-year incremental increases.
- New measures are introduced successfully in 2015 and onwards.

However, Afghanistan remains highly dependent on foreign aid for the financing of government operations – particularly in the security sector, O&M and development projects. While funding for the former two will be taken on by the Government, the latter will likely require substantial donor support even as late as 2025.

The aid requirement for funding the above-mentioned government operations is estimated at 23.3 percent of GDP, reflecting support to capital projects, as the GoIRA will be required to adopt all of the security spending. In previous estimates this was projected to fall to six percent by 2025. In the medium-term direct aid support to the Government under the base scenario is expected to fall to 16 percent of GDP by 2016. However, in order to maintain current levels of discretionary spending, requirements for direct aid support are estimated at 18 percent of GDP.

## Chapter Two

### Development Assistance Post-Tokyo Conference

This chapter provides an overview of ODA to Afghanistan for the fiscal years 2012, 2013 and 2014. During the reporting period, bilateral and multilateral donors disbursed USD 12.98 billion in support of development activities in Afghanistan. This includes USD 8.63 billion or 55 percent of their Tokyo pledges. Out of 53 development partners (DPs), 10 large donors contributed close to 70 percent of total ODA. Furthermore, out of the total ODA provided, only 70 percent was in support of development projects. The remaining amount was allocated to supporting government operating expenses (18 percent), humanitarian assistance (10 percent) and technical assistance (4 percent). Despite these generous contributions, ODA allocations remain fragmented and inadequately aligned to government priorities. During this period, 53 percent of projects were worth less than USD 1 million. Three out of eight ANDS sectors received more than 50 percent of ODA. Ten out of 60 budgetary units received almost 70 percent of total ODA. Finally, 10 out of 34 provinces received 45 percent of total ODA disbursements, creating a pattern of “aid orphans” and “aid darlings.” As shown in this chapter, there is a need for the government and donors to address inefficiencies and inequalities in aid allocation.

The Tokyo Conference (2012) brought together countries and international organizations in support of Afghanistan's vision for sustainable growth and development, with a focus on the Transformation Decade (2015-2024). In Tokyo, donors pledged USD 16 billion in development assistance in support of governance, security, peace process, economic and social development, regional cooperation and other Afghan Government priorities.

Adding this to earlier pledges of assistance, some USD 58.03 billion has been pledged in support of Afghanistan's reconstruction and development since 2002 (Table 2-1).

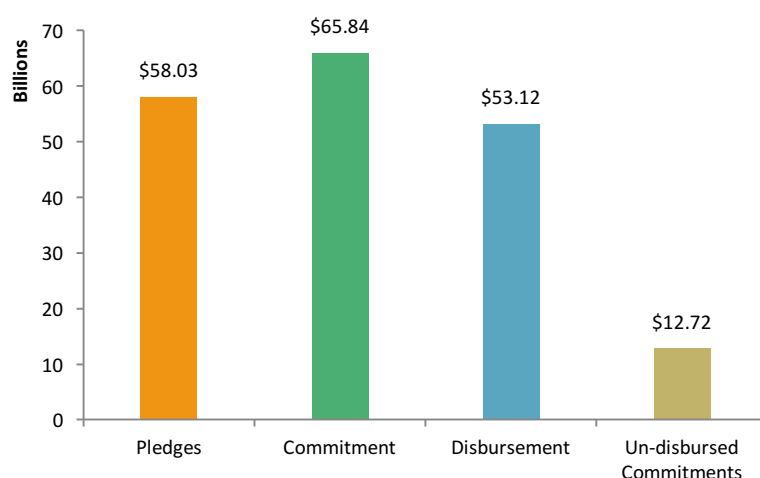
Table 2-1: Total Donor pledges, 2002-2016

Conferences	Pledge (USD billion)
Second Tokyo International Conference on Afghanistan, 2012	16.00
International Conference in Support of Afghanistan, Paris, 2008	20.00
The London Conference on Afghanistan, 2006	8.70
The Berlin Donors' Conference: Helping Afghanistan Move Forward, 2004	8.20
International Conference on the Reconstruction of Afghanistan, Tokyo, 2002.	5.13
Total	58.03

Source: AMD/MoF (2015).

In line with these pledges of assistance, Afghanistan's DPs committed USD 65.84 billion in ODA for 2002-14, mostly in grants and technical assistance. This represents 113 percent of total pledges. DPs disbursed USD 53.12 billion, or 92 percent of total pledges for this period.

Figure 2-1 Donor performance on pledges, 2002-2014



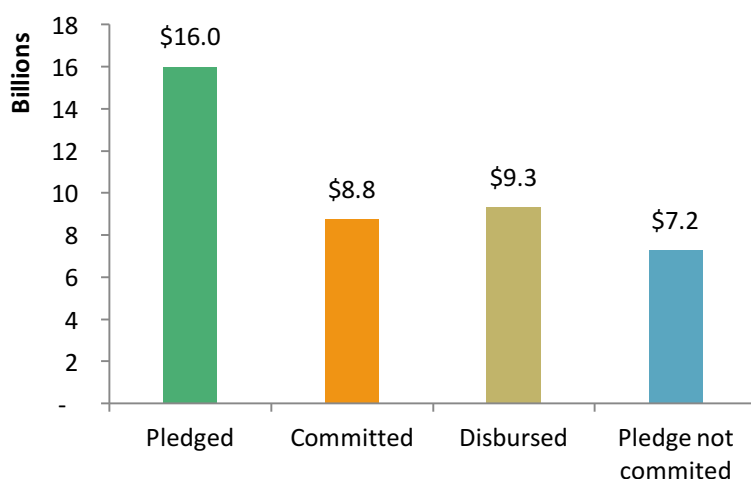
*Sources: On-budget commitment data provided by bilateral and multilateral donors; trust Fund data provided by WB, UNDP and ADB; on-budget disbursement data provided by MoF and off-budget data provided by donors (2014).*

Note: The commitment figure is higher by USD 7.8 billion compared to the pledges. This is because in some years, depending on the DP's budget appropriation for Afghanistan, some donors allocated additional resources to what was pledged in the official conference.

## Nearly half (45%) of Tokyo pledges will be committed over the next two years

As of 2014, the DPs have committed 55 percent of the Tokyo pledges in grants and technical assistance (USD 8.63 billion) and in soft loans (USD 121 million). This leaves 45 percent or USD 7.25 billion to be committed over the next two years.

Figure 2-2 Donor performance against Tokyo pledges



*Sources: AMD/MoF reconfirmed pledge figures; on-budget commitment data provided by bilateral and multilateral donors; trust fund data provided by WB, UNDP and ADB; on-budget disbursement data provided by MoF and off-budget data provided by donors (2014).*

Pledges are the first step in a long process to delivering development assistance. In order to translate pledges to commitments and to support the national budgetary planning process, accurate current and forward spending plans should underpin promises of assistance. As demonstrated in Chapter Four, commitment data for most donors is limited to yearly cycles with few providing mid-term ODA allocation plans.

ODA information available to MoF for 2015 and 2016 shows that the majority of donors either do not have plans in place to ensure disbursement of pledges in the years ahead or have not provided accurate information on their rolling three-to-five-year spending plans and/or indicative resource allocations for projects and programs. This poses a major challenge to effective budget planning and resource prioritization. In this light, donors are

requested to follow OECD's new code of good pledging practice for aid delivery in Afghanistan (Box 2)

### Box 2-1 Development Assistance Committee (DAC) Recommendations on Good Pledging Practices

Conscious of the need to ensure that donor aid pledges are credible, achievable, and properly monitored, DAC members will strive to observe, to the largest extent possible, the following principles in their future pledging practice in respect of financial undertakings towards developing countries.

1. **Clarity.** Pledges should specify all parameters relevant to assessing their achievement. These include, but are not limited to, the date or period covered, the source and terms of finance, and the baseline against which to assess any claims of additionally to existing flows or existing commitments.
2. **Comparability.** Global pledges by the donor community should be an actual sum of individual donor pledges, and these pledges should as far as possible be compatible in their terms, dates, baselines, and units of measurement.
3. **Realism.** Pledges should be made for periods and amounts over which those pledging have an appropriate degree of control and authority. The pledges should be reasonable and achievable in the donor's budgetary and economic circumstances.
4. **Measurability.** Pledges should be made on the basis of existing measures of aid and other resource flows wherever possible. If the data necessary for monitoring a pledge are not already available, then monitoring responsibilities should be specifically assigned.
5. **Accountability and transparency.** Pledges should respond in a timely and efficient fashion to priority needs identified by aid beneficiaries, and donors should provide information sufficient to allow beneficiaries and third parties to track performance.

*Source: OECD (2011).*

### Few Donors Have Fulfilled Their Tokyo Pledges

Only two donors fulfilled their Tokyo pledges by the end of 2014. This is the case for Italy, which committed a total of USD 299.6 million from 2012 to 2014. This represents 131 percent of Italy's Tokyo pledge of Euro 185 million (approx. USD 228.6 million) for 2012-2016, which included a soft loan component in the amount of Euro 121 million. Likewise, Switzerland committed USD 64.92 million or 130 percent of its Tokyo pledge of CHF 70 million (approx. USD 50 million) from 2012 to 2014.

Eight donors have committed more than half of their Tokyo pledges:

- As the host of the Tokyo conference, Japan has pledged more assistance to Afghanistan than any other individual country. In the 2012 Tokyo Conference, Japan pledged a total of USD 3 billion for five years for socio-economic development and enhancement of security capabilities. As of December 2014, Japan has committed USD 2 billion or 68 percent of its Tokyo pledge.

- Germany reported that its commitment reached about USD 877.6 million or 52 percent of its pledge of Euro 430 million per year until 2015 (approx. USD 1.7 billion from 2013-2015).
- The United Kingdom reported a commitment of USD 720.4 million from 2012 to 2014, or 50 percent of its Tokyo pledge of GBP 178 million per year for the next five years to 2017 (approx. USD 1.4 billion).
- The World Bank reported commitments of USD 399.2 million, or 78 percent of its Tokyo pledge of USD 514 million.
- Other countries that have committed more than half of their Tokyo pledges include Norway (58 percent), Denmark (51 percent), Canada (64 percent), France (73 percent), and the Islamic Development Bank (52 percent).

Two donors are on track to meet their Tokyo pledges but have thus far disbursed less than half of their pledges. The European Union disbursed USD 260 million in 2014, which accounts for 14 percent of its total Tokyo pledge of USD 1.8 billion. At the Tokyo conference, the EU pledged to maintain EUR 200 million (approx. USD 264 million) per year for the period 2014-2020. Finland also pledged to increase its annual funding by half to Euro 30 million (USD 39 million) in 2014 and keep ODA at this level at least until 2017. In 2014, Finland committed USD 38.9 million, representing 25 percent of its total Tokyo pledge.

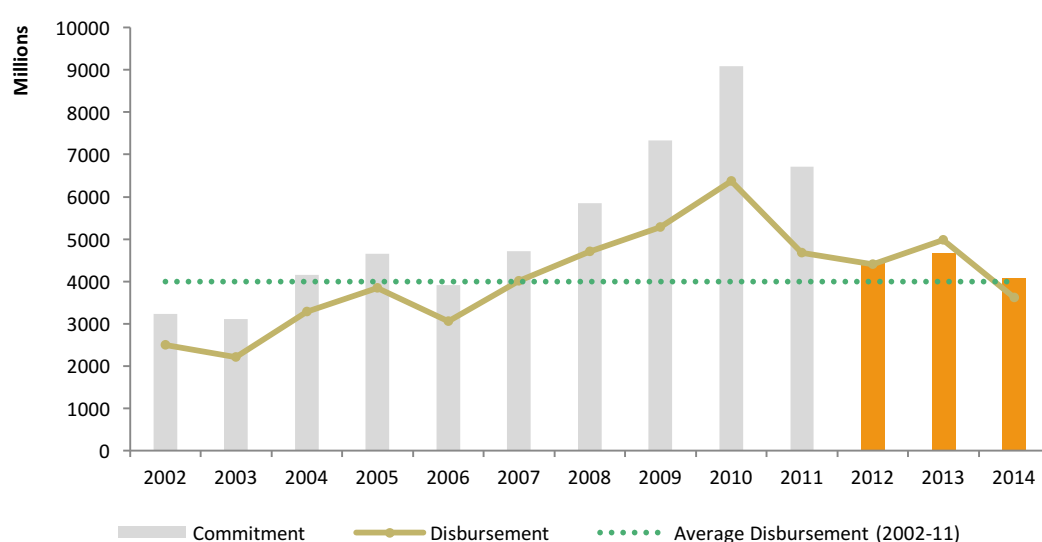
Four donors are lagging behind in terms of committing their Tokyo Pledges. This is most notably the case for India, which committed USD 27.3 million from 2012 through 2014. This is only 5 percent of India's Tokyo pledge of USD 500 million which was initially announced in May 2011 and reconfirmed in Tokyo for implementation from 2012 through 2015. Additionally, the Netherlands has committed USD 137.9 million, or 34 percent, from 2013 to 2014. In Tokyo, the Netherlands announced that it would provide Euro 65 million or USD 80 million per year from 2013 to 2017. The Asian Development Bank and the Republic of Korea have each committed 45 percent of their Tokyo pledges.

The MoF was not able to assess the performance of three donors against their pledges. The United States, the largest donor to Afghanistan since 2002, has pledged to provide assistance at or near the levels of the past decade through 2017. MoF's historic data shows that US assistance to Afghanistan ranged from USD 1 billion to USD 4 billion per year from 2002 through 2011. For the period 2012 through 2014, the US has committed USD 4 billion, or an average of USD 1.6 billion per year. However, an annual comparison of its assistance shows that, compared to 2012, in 2013 and 2014 US assistance decreased by 21 percent and 37.5 percent, respectively. Sweden has pledged to provide SEK 8.5 billion or USD 1.2 billion from 2015 through 2024. Sweden, in addition to the EU, is one of the few donors that has pledged long-term assistance to Afghanistan covering the transformation decade. Likewise, Australia pledged to increase its aid program to AUD 250 million or USD 231 by 2015-16.

## Overall, Donor Disbursements Exceeded Commitments

During 2012-14, Afghanistan's DPs disbursed USD 12.98 billion in ODA to Afghanistan. While disbursement rates differ among donors, an aggregate disbursement rate of 102 percent was achieved for this period. Adjusting the disbursement volume for sources of funding in addition to the Tokyo pledges (USD 425.8 million), on average DPs who pledged in Tokyo disbursed USD 4.3 billion per year for the period 2012-14. This average disbursement is 8.2 percent higher than the average disbursement of ODA during 2002-11 (Figure 2-3). This also means that, on average, DPs disbursed 7.5 percent more ODA compared to their Tokyo pledges.

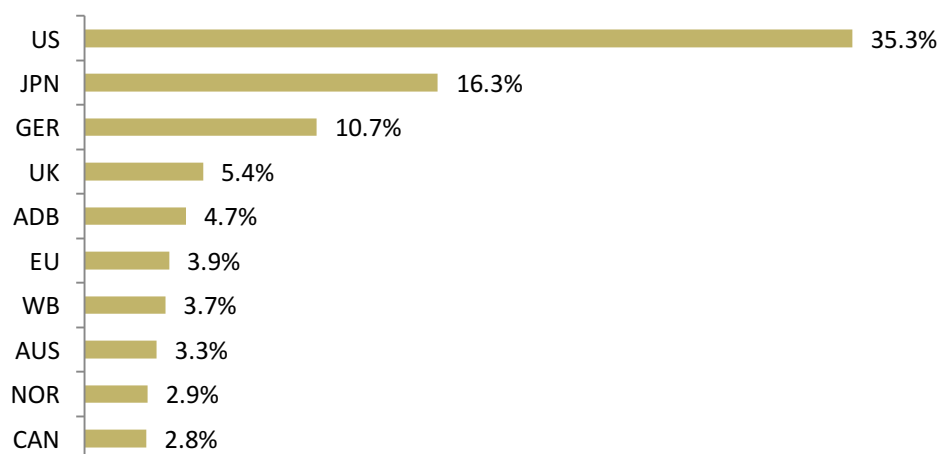
Figure 2-3 ODA Disbursements against commitments, 2002-2014



*Source: On-budget commitment data provided by bilateral and multilateral donors; trust fund data provided by WB, UNDP and ADB; on-budget disbursement data provided by MoF and off-budget data provided by donors (2014).*

The United States (US) alone provided 35.3 percent of total ODA while other major bilateral donors such as Japan, Germany, the United Kingdom (UK), Norway, Australia and Canada altogether provided an additional 41.4 percent of ODA. Three multilateral agencies, namely the World Bank (WB), the Asian Development Bank (ADB) and the European Union (EU), contributed 12.2 percent of total ODA. Seven bilateral donors and these three multilaterals constitute the top ten donors to Afghanistan, disbursing 89 percent of total ODA between 2012 and 2014.

Figure 2-4 Top 10 donors - disbursements as a percentage of total ODA, 2012-2014



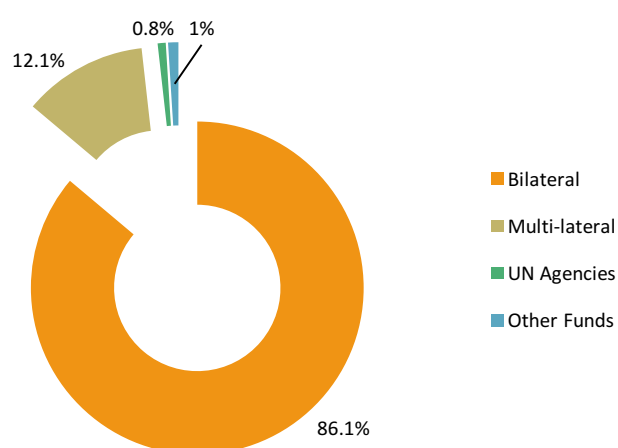
Source: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

### Bilateral donors are the main contributors of aid to Afghanistan

ODA is provided by a multitude of DPs to Afghanistan. The MoF only tracks ODA contributions from 54 funding sources. These include bilateral donors, multi-ateral agencies including international financial institutions and UN agencies, and other resources provided by international funds such as the Global Fund, the International Fund for Education (GPE), and the Global Alliance for Vaccination and Immunization (GAVI).

As shown in Figure 2-5, bilateral donors provided most ODA between 2012 and 2014, followed by multilateral agencies. International funds and UN agencies provided approximately 2 percent of the total ODA over the same period.

Figure 2-5 ODA by source, 2012-14

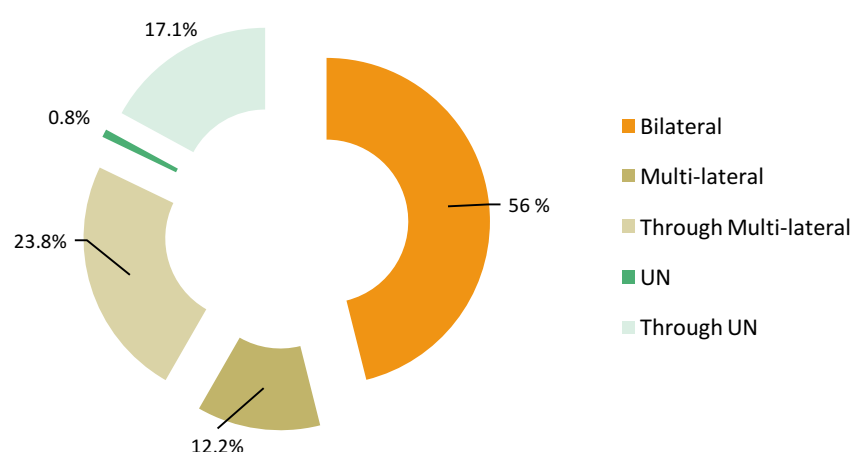


*Sources: On-budget commitment data provided by bilateral and multilateral donors; trust fund data provided by WB, UNDP and ADB; on-budget disbursement data provided by MoF and off-budget commitment and disbursement data provided by donors (2014).*

## Bilateral donors implement more than half of ODA directly

Although bilateral donors contributed over 80 percent of total ODA to Afghanistan during 2012-14, they only implemented slightly more than half (56 percent) of this contribution directly. The rest of their ODA was channeled through other agencies for implementation. As shown in Figure 2-6, 23.8 percent of ODA was channeled through multilateral agencies (mainly through pooled funding mechanisms), and 17.1 percent was channeled through the UN system.

Figure 2-6 ODA disbursements by channel, 2012-14



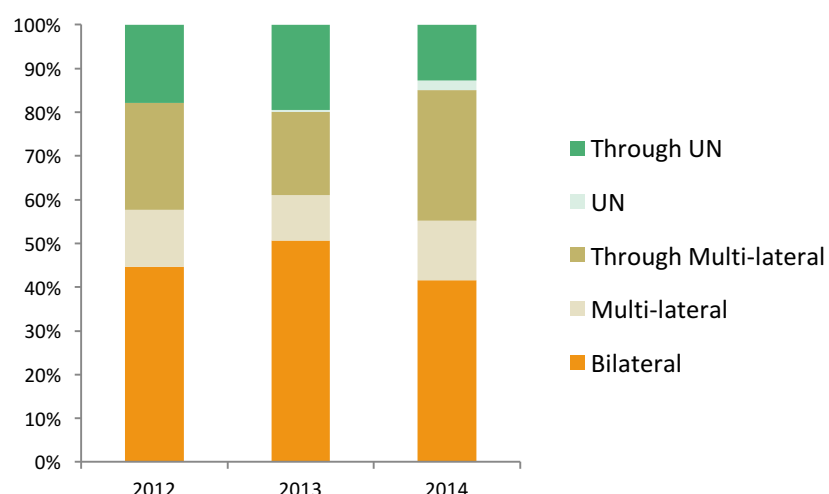
*Source: On-budget commitment provided by bilateral and multilateral donors; trust fund data provided by WB, UNDP and ADB; on-budget disbursement and commitment data provided by MoF and off-budget data provided by donors (2014).*

While approximately 12.2% of ODA is provided by multilateral agencies through their core funds, these agencies also manage pooled funds and implement projects funded by bilateral donors. While channeling ODA through multilateral agencies, including pooled funds, has various advantages for bilateral donors, such as sharing risks, using the government system, and reducing fragmentation, the management of these funds comes at a cost. On average, the UN and multilateral banks charge 5-7 percent and 2-4 percent in administrative fees, respectively. The MoF estimates that approximately USD 90 million per year is spent on administrative costs of these funds.

Despite these costs, many bilateral donors have increasingly moved towards utilizing pooled funding mechanisms to deliver their assistance since 2012. This is partly due to their efforts to meet the Tokyo commitment of channeling 50 percent of their resources through the

national budget, for which pooled funds are included. Another factor is the reduction in size of many donor missions in the country, making it difficult for bilateral donors to directly implement projects and programs. Figure 2-7 shows that between 2012 and 2014, the share of ODA channeled through multilaterals has increased from 24 percent in 2012 to 30 percent in 2014, while ODA channeled through the UN system has decreased from 18 percent in 2012 to 13 percent in 2014.

Figure 2-7 ODA disbursements by channel – year-by-year comparison 2012-2014



Sources: Trust fund data provided by WB, UNDP and ADB; on-budget disbursement data provided by MoF and off-budget disbursement data provided by donors (2014).

The administrative and management costs of pooled funds should be limited after a certain point, since larger funds benefit from economies of scale and should not require additional resources to manage effectively. Despite the fact that disbursements through pooled funding mechanisms are counted as on-budget assistance, these mechanisms should not be used solely as a means for meeting the 50 percent on-budget commitment under the Tokyo framework. Instead, pooled funding mechanisms should be utilized for the purpose of joint programming to enhance development results.

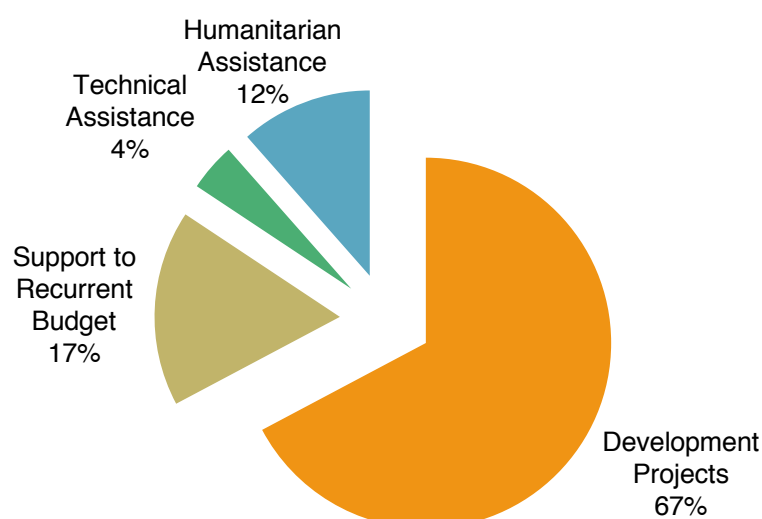
Likewise, pooled funding should be seen as an interim arrangement that will gradually decrease as the capacity and effectiveness of government systems advance. Towards this end, all pooled funding mechanisms need to maintain credible exit strategies to gradually transfer responsibility for management of funds to the Government. This will reduce transaction costs considerably and enhance state ownership of the development process.

### More than 80 percent of ODA was spent on development projects and government expenses

Approximately two thirds (67 percent) of ODA was provided in support of development projects, of which 51 percent went to stand-alone projects and 16 percent went to pooled

funding mechanisms. Close to one quarter of ODA was allocated as budget support to cover the recurrent costs of the government<sup>6</sup> and to provide stand-alone Technical Assistance (TA)<sup>7</sup>. Humanitarian interventions accounted for an additional 12 percent of total ODA during this period (Figure 2-8).<sup>8</sup>

Figure 2-8 ODA disbursements by type of intervention, 2012-2014



*Sources: On-budget disbursement data was provided by MoF and off-budget commitment and disbursement data was provided by donors (2014).*

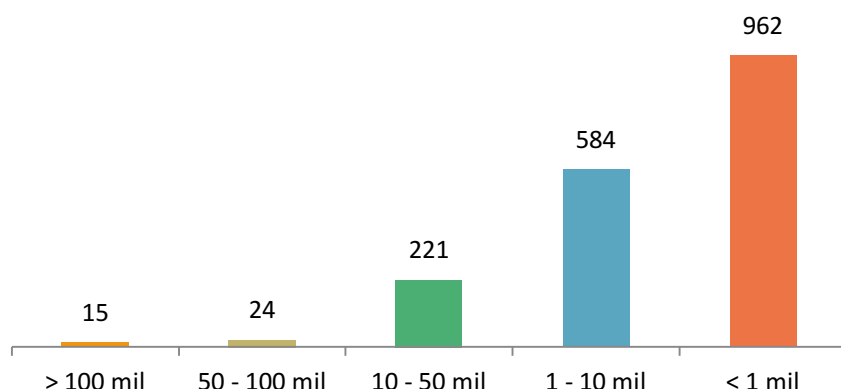
With close to 71 percent of ODA allocated to project type interventions (development projects combined with TA support), the risk of aid fragmentation and duplication of efforts is greater than ever. An analysis of the number of projects undertaken in Afghanistan between 2012-14 reveals that approximately 1806 projects were financed either directly by donors or through multilateral mechanisms. Of this number, only 2.2 percent are classified as very large ( $\geq$  USD 100 million) or large (USD 50-100 million), 12.2 percent are medium-sized (USD 10-50 million), 32.2 percent are small (USD 1-10 million) and 53.3 percent are very small (USD < 1 million).

<sup>6</sup> Recurrent cost refers to civilian operation budget, which includes salaries, O&M and acquisition of assets.

<sup>7</sup> TA is referred to as technical cooperation, means the provision of know-how in the form of personnel, training, and research and associated costs.

<sup>8</sup> The actual share of TA in total ODA allocation is considerably higher than 4%, given that majority of TA activities are embedded within individual projects. Given the data limitations, MoF was not able to accurately assess this aspect of ODA allocation in support of TA.

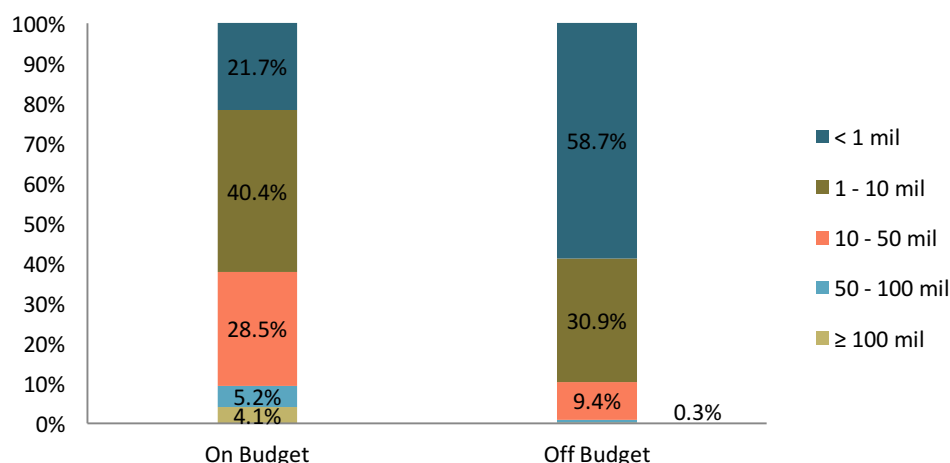
Figure 2-9 Composition of projects by size



Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

ODA allocation is more fragmented when aid is provided outside the bilateral on-budget and pooled funding mechanisms. As shown in Figure 2-10, more than half of off-budget projects (58.7 percent) are below USD 1 million and more than a quarter (30.9 percent) are between USD 1-10 million. Only 0.9 percent of projects are above USD 50 million. By contrast, more than a quarter of on-budget projects reside in medium to large category and only 21.7 percent of on-budget projects are less than USD 1 million.

Figure 2-10 ODA allocation by project size and modality

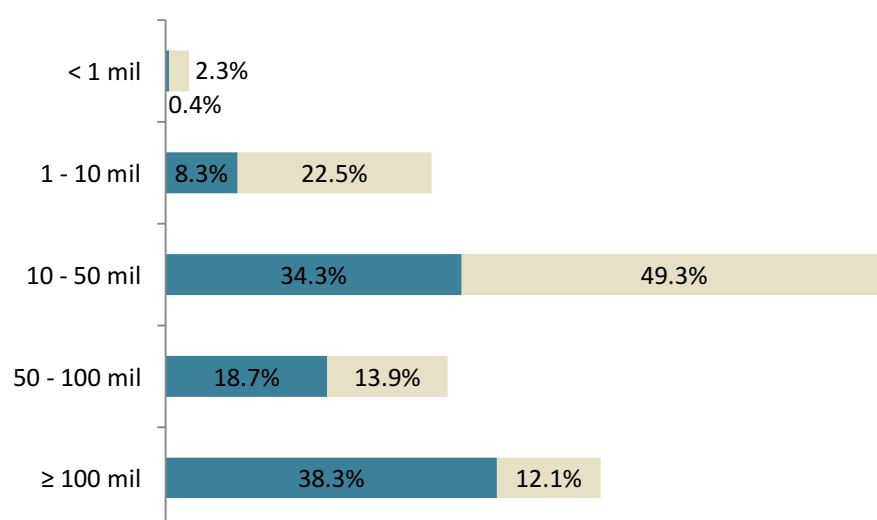


Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

Despite a large number of small or very small projects, the amount of ODA resources invested in this category is quite minimal—approximately 1.5 percent of total ODA was disbursed to projects in this category. While close to half of the ODA was disbursed to projects in the medium category (USD 10-50 million), more than one-third of ODA (39

percent) was disbursed to projects above USD 50 million. An interesting picture emerges when ODA disbursements to each category are compared between on-budget and off-budget modalities. As shown in Figure 2-11, more than half of the ODA channeled through on-budget modalities was disbursed to large projects. By contrast, the share of ODA disbursed off-budget to this category accounts for only 26 percent. The figure shows that close to half of the off-budget ODA was disbursed to projects in the medium-sized category and almost a quarter was disbursed to small projects. The share of on-budget disbursement to these categories was 34.3 percent and 8.7 percent, respectively.

Figure 2-11 ODA Distribution across project categories by modality



Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

Note: Blue color denote on-budget and beige color denote off-budget disbursement of ODA

The implementation of a large number of small projects, involving a large number of implementing agencies, often overwhelms the institutional capacity of the government to effectively coordinate donor-financed projects. Even when the required coordination mechanisms are in place, the transaction costs are much higher for both donor agencies and the Government.

While the exact reasons for the large number of small projects are unclear, analysis of project level ODA reveals that in the majority of cases donors adapt to reductions in ODA by reducing the size of certain projects. However, GoIRA is of the view that better coordination and establishing synergies between donors involved in a particular sector can help reduce the fragmentation of ODA. Large numbers of relatively small donors can also reduce fragmentation by pooling funds.

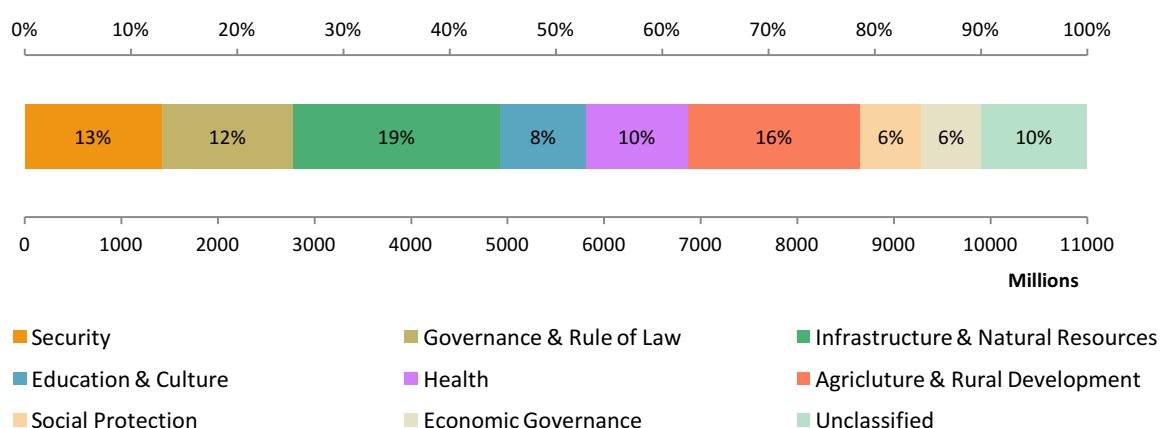
## Security, infrastructure and natural resources, and agriculture and rural development received the most oda allocations

Data on sector allocation of ODA is incomplete - 88 percent of total ODA disbursed during 2012-14 was specified by sector. Three ANDS sectors—(1) security, (2) infrastructure and natural resources, and (3) agriculture and rural development—received the highest levels of ODA disbursed between 2012 and 2014. Collectively, all three sectors received a total of USD 5.5 billion, or 49 percent of ODA disbursement specified by sector during 2012-14.

Considering the high demand for service delivery, particularly in the areas of health, education and social protection, close to a quarter of ODA (USD 2.68 billion) was allocated to these three ANDS sectors during 2012-14.

The DPs reported that about 10 percent (USD 1.1 billion) of their total ODA disbursements were ‘unclassified’ between 2012 and 2014. An analysis of the ‘unclassified’ projects reveal that many projects that are either cross-cutting in their nature, as well as research projects, audits, and humanitarian assistance are incorrectly labeled as ‘unclassified’.

Figure 2-12 ODA disbursements by ANDS sector, 2012-14

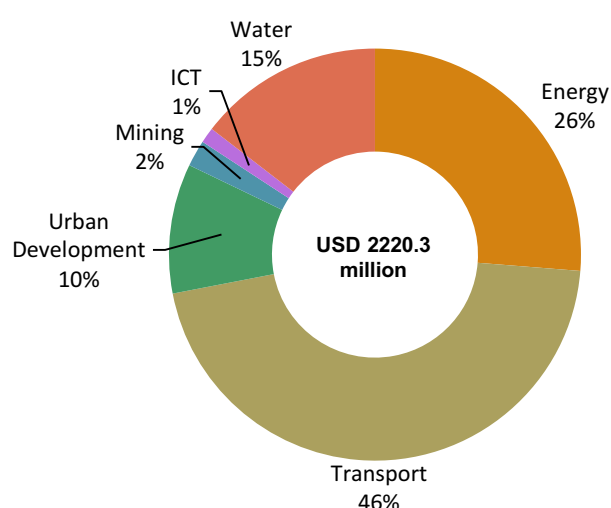


Sources: On-budget disbursement data provided by MoF and off-budget data provided by donors (2014).

Since ANDS sectors are quite broad, sub-sector level analysis of data can provide significant insights into how ODA disbursements were prioritized. As shown in Figure 2-13, the transportation sub-sector remains the largest recipient of ODA (USD 1 billion), followed by the energy sub-sector at USD 583 million and water at USD 323 million. Together, these three sub-sectors combined received 87 percent of ODA disbursed to the infrastructure and natural resources sector of ANDS. It should be noted that the majority of investments in the transportation sub-sector were spent on roads. Likewise, the focus in the energy sub-sector is on developing connectivity and power infrastructure. Investments in the water sub-sector were primarily focused on improving access to clean drinking water.

Two other sub-sectors, mining and information communication technology (ICT), were prioritized in the self-reliance strategy paper presented in Tokyo as areas critical for revenue generation and long-term economic growth. However, thus far they have received comparatively little funding. Together they received 3.6 percent (USD 73 million) of ODA disbursed during 2012-14.

Figure 2-13 ODA Disbursement to infrastructure and natural resources sector of ANDS



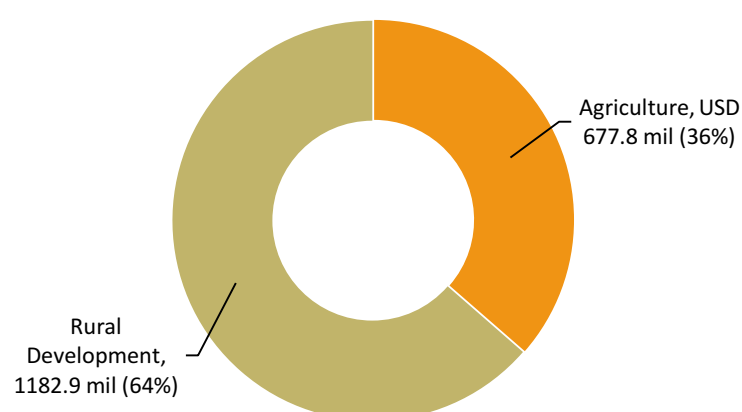
Sources: On-budget disbursement data provided by MoF and off-budget provided by donors (2014).

As the third highest recipient of ODA disbursement, the agriculture and rural development sector received USD 1.85 billion or 16 percent of total ODA during 2012-14. As shown in , close to two thirds of the ODA disbursed to this sector or USD 1.18 billion was allocated to the rural development sub-sector, mainly to fund programs such as the National Solidarity Program (NSP) and the National Rural Access Program (NRAP). As one of the main contributors to the GDP and a source of employment for more than 70 percent of the population, agriculture itself only received USD 677.8 million in ODA support from 2012 through 2014. Disbursements to agriculture were focused mainly on developing irrigation schemes, agriculture extension services, promoting value chains, and credit schemes for agriculture productivity.

However, it should be noted that there is considerable overlap between the rural development subsector and other sub-sectors such as agriculture, water, roads, local governance and in some cases energy. For instance, the National Area Based Development Program (NABDP), a flagship program under the rural development sub-sector, contributes to agriculture productivity and provides safe drinking water in rural areas. Another example is the NSP, which aims to support local governance at the community level, contributes to socio-economic development, and improves access to services.

From an aid effectiveness point of view, overlapping programs often carry the risk of duplication of effort and incoherent development results. Therefore, it is crucial that activities implemented under the rural development sub-sector are rationalized in relation to other sectors. Rural development would be best positioned as an ANDS cross-cutting sector rather than as a sub-sector. As a cross-cutting sector, it can benefit from interventions by actors in other sectors, while continuing to attract funds at a policy level.

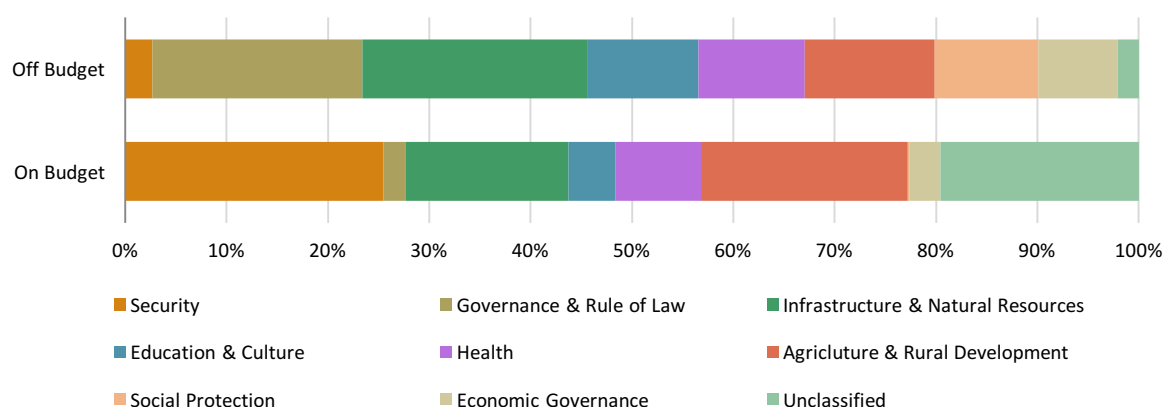
Figure 2-14 ODA disbursements to the agriculture and rural development sector, 2012-14



*Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).*

A comparison of ODA allocations through on and off-budget modalities shows a relatively different picture. As the main instrument for policy prioritization, the national budget is a reasonably good indicator of how development priorities align with GoIRA priorities. As shown in Figure 2-15, the security sector (25 percent) dominates the on-budget allocation of ODA, followed by agriculture and rural development (20 percent) and infrastructure and natural resources (16 percent). Combined, these three sectors account for 62 percent of on-budget allocations. By contrast, these sectors account for only 38 percent of off-budget allocations. Social infrastructure and service delivery in governance, education, health and social protection represents 52 percent of off-budget ODA allocations, as compared to 15 percent of on-budget allocations.

Figure 2-15 ODA disbursement to ANDS sector by modality<sup>9</sup>



Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

Note: MoF labels operational assistance as ‘unclassified’.

Although the exact criteria that drives decisions regarding ODA allocations across sectors are unclear, decisions are often informed by a range of considerations, including country priorities and needs, perceived risks, the tendency of donors to work in sectors where small scale interventions can generate quick results, and the political interests of a donor country.

The government policy on sector ODA allocations as presented in the AMP is quite clear. Donors are expected to limit their interventions to a maximum of three ANDS sectors and consider other modalities, including establishing partnerships with other donors, in case they wish to extend their cooperation to additional ANDS sectors. Furthermore, donor involvement in a particular sector should be justified not only on the basis on strategic interest but also on other grounds such as knowledge of the sector and comparative advantages relative to other donors in the field.

## Bamyan, Kunar, Uruzgan, Nimorz and Kabul received the highest ODA per capita

Data on provincial ODA allocations is incomplete. Only 72 percent, or USD 9.4 billion, of total ODA disbursed during 2012-14 was specified by province<sup>10</sup>. Of this amount, 43 percent

<sup>9</sup> Data for the security sector is only limited to operating expenses, construction of facilities and training and mentoring of the police force and does not include the supply of lethal equipment and other services which are not reportable as ODA.

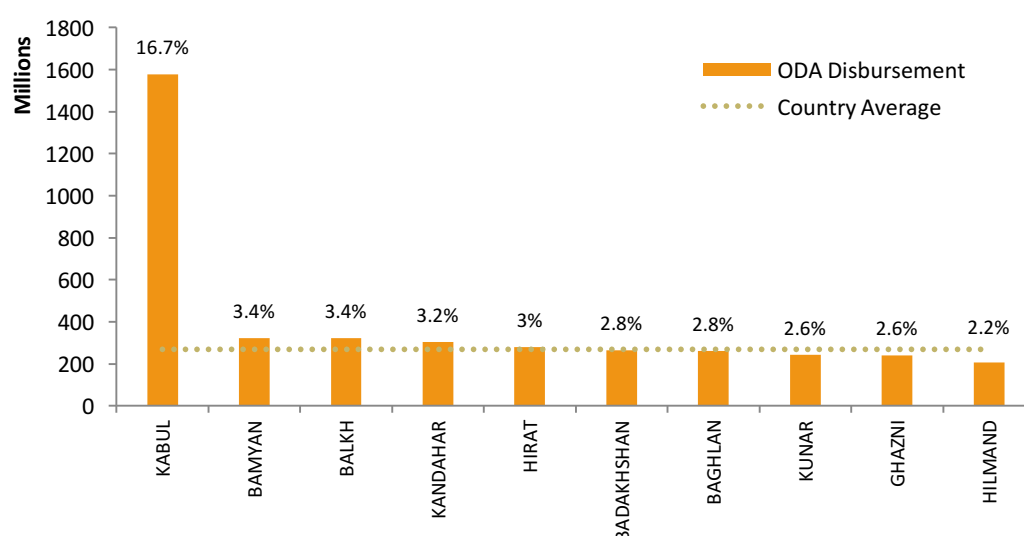
<sup>10</sup> There are many reasons why DPs do not provide accurate data on provincial allocation. Some projects and programs are implemented in than one province, making it difficult for donors to accurately classify allocations per province. Likewise, the provincial breakdown of ODA channeled through the budget can only be tracked at expenditure levels and not at the point of commitments or disbursements.

of ODA was allocated to ten provinces. The remaining 24 provinces only received 24 percent of ODA for the same period. Furthermore, 32 percent of ODA disbursed was classified as “country-wide”, referring to projects with implications for all provinces.

Kabul has been the largest recipient of ODA (USD 1.57 billion), followed by Bamyan (USD 322.9 million) and Balkh (USD 322.3 million). Panjsher received the least amount of ODA (USD 32.3 million), followed by Paktika (USD 33.4 million), and Nuristan (USD 44.5 million).

As mentioned earlier, USD 3.1 billion, or 33 percent of total ODA, was classified as having country-wide impact. This category includes disbursements to national programs and to projects that cover more than one province.

Figure 2-16 Top 10 provinces by ODA disbursements, 2012-14

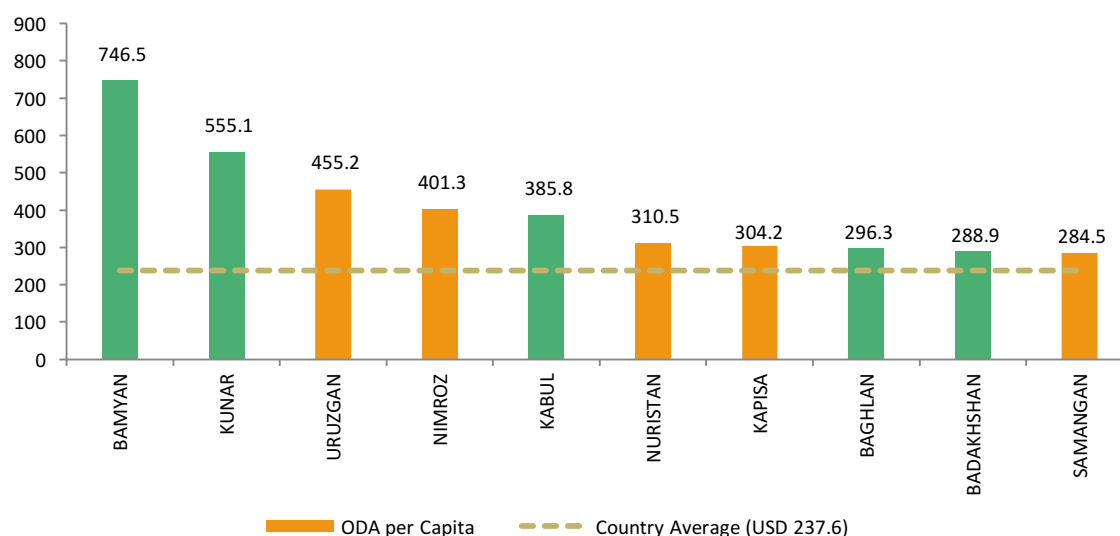


Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

When measured on a per capita basis<sup>11</sup>, a different picture emerges. As shown in Figure 2-18, the ranking of most provinces changes considerably. Except for Kabul, Badakhshan, and Balkh, seven of the top 10 provinces received more ODA per capita on average than other provinces. During 2012-14, the average per capita ODA for the country is estimated at USD 237.6. Of the top 10 provinces by ODA volume, only five received higher per capita ODA than the national average.

<sup>11</sup> ODA per capita is calculated by dividing ODA disbursed to a province during 2012-14 by the average population estimate during the same period.

Figure 2-17: Per capita ODA disbursement of top 10 provinces, 2012-14



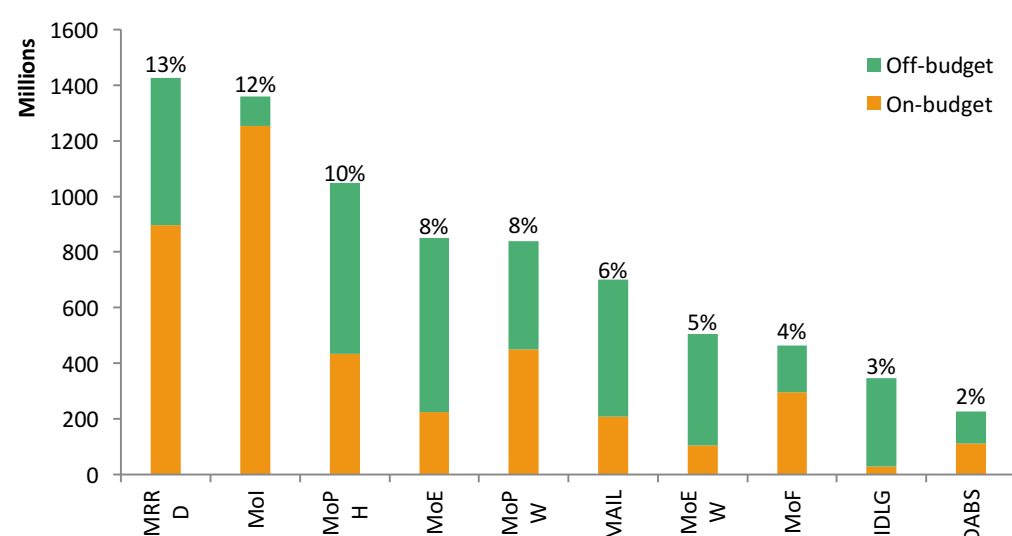
Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

These findings imply an absence of coherent criteria to determine the allocation of ODA across provinces. Provincial allocations depend on a variety of considerations, both developmental and strategic. Some provincial allocations are normative; others follow the geographical interest of DPs. It also depends on the number of projects active in a specific province and the degree to which the security situation in a province can influence decision-making. The different types of aid and the modalities through which ODA is provided (e.g. bilateral vs. multilateral) also influence the provincial allocation of aid.

### The ministries of rural rehabilitation and development, interior and health received the most ODA

Data on ODA allocation across recipient ministries and budget entities remains incomplete. Donors have specified that they have allocated USD 11 billion, or 82 percent of total ODA disbursed from 2012 through 2014, to recipient government institutions. Of this amount, USD 7.76 billion was allocated to 10 ministries, representing 70 percent of total ODA received by budget entities. Of these 10 ministries, four are related to the infrastructure, agriculture, and energy sectors and received 21 percent of the total ODA received by budgetary units (USD 2.2 billion). Two of the top 10 ministries are involved in the economic and local governance sectors, receiving USD 808.9 million or 7 percent of total ODA. Three additional ministries support the social protection and services sector, receiving a combined total of USD 3.3 billion or 30 percent of ODA.

Figure 2-18 Top 10 government entities by ODA received, 2012-14



Source: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

It is important to note that a great majority of budget entities and ministries, 50 in total, only received 21 percent of total ODA disbursements (USD 2.3 billion) during the reporting period. The Afghanistan Academy of Sciences; the Geodesy and Cartography Office and the Legal Training Center did not receive any ODA during 2012-14. In addition, almost 9 percent of ODA (USD 937.8 million) was classified to have inter-ministerial impact. This last category consists of ODA disbursed by donors mainly in support of the government's recurrent cost requirements.

## Chapter Three

### Alignment with Country Systems and Priorities

Alignment with government priorities and use of country systems to deliver aid is at the heart of aid effectiveness. Donors use country systems to channel funds through the national budget, allowing aid to be managed in line with Afghanistan's public finance management processes and procedures, including procurements, audits, and monitoring and evaluation.

Despite clear rules and procedures for the use of country systems, many donors are hesitant to deliver aid on-budget, citing concerns over misuse of financial resources and accountability. They see the use of country systems as reducing their influence on the direction of development policy and making it difficult to attribute results to their direct engagement in the country.

By using parallel systems, donors hamper opportunities for the state to improve the efficiency of its own systems. This creates a cycle of aid dependency, undermines government institutions, and impedes efforts by the state to be accountable to its own citizens. Likewise, when donors align to self-defined priorities, aid becomes less effective and undermines the sustainability of development results.

The chapter will examine the alignment of DPs assistance based on GoIRA priorities as expressed in the NPPs. The chapter will also focus on the use of Afghanistan's budget systems and assess DPs achievements on following through with on-budget commitments and channeling at least 50 percent of their ODA through on-budget mechanisms on an annual basis. Furthermore, disbursements to pooled financing mechanisms and on-budget sector allocations are discussed.

The use of country systems is a key commitment made at various international and national forums on aid effectiveness. In the Paris Declaration (2005) and in the Accra Agenda for Action (2008), donors committed to systematically make use of country systems and to support countries to strengthen their systems. At the Fourth High Level Forum on Aid Effectiveness in Busan (2011), recipient nations agreed to strengthen their country systems to the extent possible, and donors committed to make use of these systems as the default option. The New Deal for Engagement in Fragile States, a global body that aims to improve donor engagement in conflict-affected countries, also identified the expanded use and strengthening of country systems as a key area where donor engagement can be improved.

Donors have also made commitments in this regard at the national level. At the London Conference on Afghanistan (2010), donors committed to support GoIRA priorities by increasing the proportion of development aid delivered through the national budget to 50 percent over the ensuing two years. At the Kabul conference in 2010, the international community restated its commitment to channel at least 50 percent of development aid through the national budget. The same commitment was reaffirmed at the Tokyo Conference on Afghanistan (2012).

While putting a greater proportion of aid on-budget is considered to be making use of country systems, in reality on-budget mechanisms may still subvert country systems in some ways. For example, the national procurement law allows donors to use their own procurement procedures when aid is channeled on-budget.

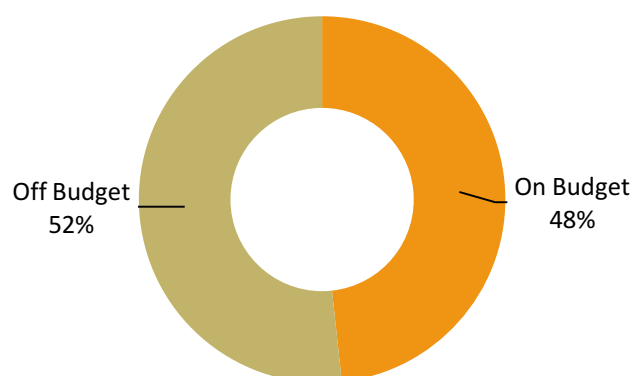
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### Donors disbursed 90 percent of their on-budget ODA commitments

The 2012–14 data shows that although donors collectively committed to channel 53 percent (USD 6.97) of total ODA on-budget, they disbursed 48 percent (USD 6.27 billion) of total ODA through the on-budget system. This translated to an on-budget disbursement rate of 90 percent for the period. This is a substantial improvement in the use of country system compared to the period 2002-2011, when an average of 22 percent of total ODA was disbursed through the national budget.

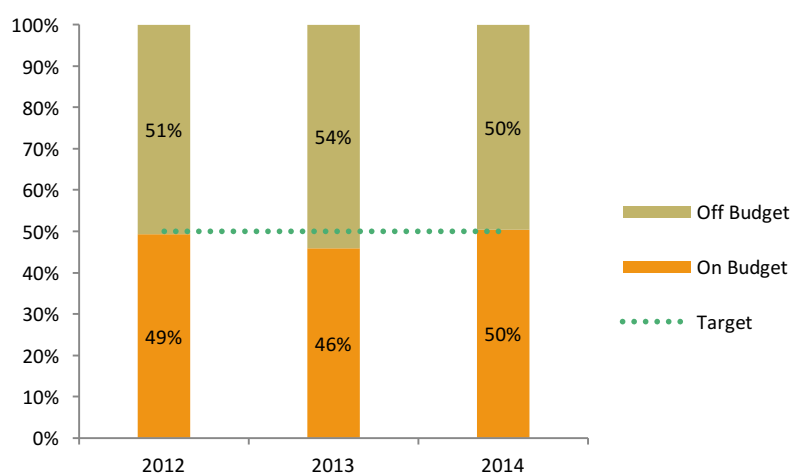
Figure 3-1 Share of ODA disbursed through on-budget, 2012-14



Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

A year-on-year comparison of on-budget data shows that between 2012 and 2014, the share of ODA channeled on-budget decreased to 46 percent in 2013, but reached 50 percent in 2014. However, the volume of funding channeled on-budget declined by 25 percent in 2014 compared to 2013 (Figure 3-2).

Figure 3-2 Comparison of on-budget ODA channeled as percentage of total disbursements, 2012-14



Sources: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

The data also shows that progress in the use of on-budget systems varies across sectors. There is considerable progress in some sectors, particularly in security (85 percent), agriculture and rural development (56 percent), health (42 percent) and infrastructure (40 percent). In other sectors such as education, governance and rule of law, social protection,

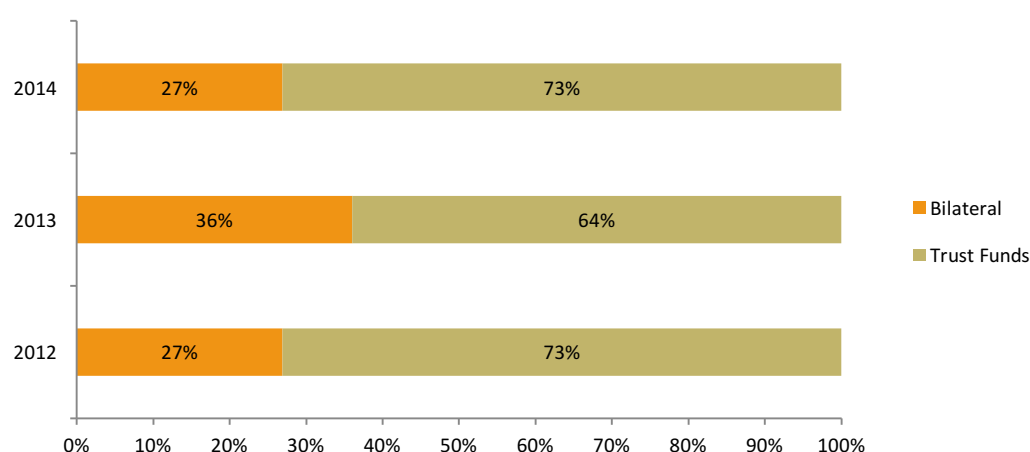
and economic governance, there has been limited progress on the use of on-budget systems.

A number of modalities were used to channel ODA through the on-budget system over the three years. On average, 30 percent (USD 632 million) of total on-budget ODA was channeled directly through the national budget bilaterally. Bilateral on-budget funding was mainly provided in the form of project support, meaning that ODA was used to support a specific activity through the national budget, while donors retained control of financing and management of the project.

The remaining 70 percent of on-budget ODA was provided through pooled funding mechanisms. It is important to note that a considerable portion of on-budget funding channeled through pooled funding mechanisms was provided in the form of recurrent cost support to the national budget, meaning that ODA was not linked to a specific project or activity and was managed directly by the treasury. In 2012-14, USD 2.2 billion was provided in the form of operating budget support and USD 74 million<sup>9</sup> was provided as incentive funding accompanied by conditions for the government to implement certain reforms.

A year-on-year comparison of data shows that ODA channeled through bilateral modalities increased in 2013 compared to 2012 but declined in 2014 (Figure 3-3). This decline is partly due to the overall reduction of on-budget financing in 2014, a decrease of 25 percent compared to 2013. Another factor is the increase in ODA channeled through pooled funding mechanisms, in particular through the ARTF, which received 24 percent more funding in 2014 than in 2013.

Figure 3-3 Composition of on-budget ODA disbursements by modality, 2012-14

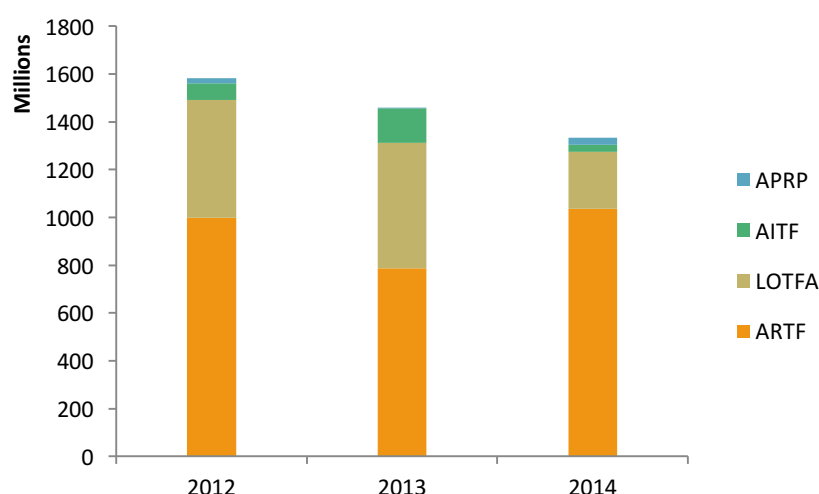


Source: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).

Donors often find it easier to use pooled funding mechanisms to meet their on-budget targets as it allows for greater risk sharing, joint planning, and coordination. There are four mechanisms that allow donors to pool funding through the on-budget system. The Afghanistan Reconstruction Trust Fund (ARTF) managed by the WB is the largest of the four, followed by the Afghanistan Law and Order Trust Fund (LOTFA) managed by UNDP. The other pooled funding mechanisms are Afghanistan Infrastructure Trust Fund (AITF), which is managed by ADB, and the Afghanistan Peace and Reintegration Programme (APRP), managed by UNDP.

As shown in Figure 3-3, while the use of pooled funding mechanisms increased as a share of total on-budget assistance in 2014, in absolute terms there has been a sharp decline in the use of these mechanisms since 2012. Compared to 2012, ODA channeled through the pooled funding mechanisms declined by 8 percent in 2013 and by a further 9 percent in 2014. This decline was not systematic across all the four funds. For instance, two of the funds saw an increase in donor contributions in 2014. ODA channeled through the ARTF increased by 24 percent in 2014 compared to 2013 and by 4 percent compared to 2012. Likewise, funding to APRP has increased by 24 percent in 2014 compared to 2012. By contrast, between 2014 and 2012, funding to LOTFA decreased by 108 percent and to AITF by 130 percent, respectively.

Figure 3-4 ODA disbursement pooled funding mechanisms, 2012-14



Sources: ADB provided AITF data; UNDP provided APRP and LOTFA data; and the WB provided ARTF data (2014).

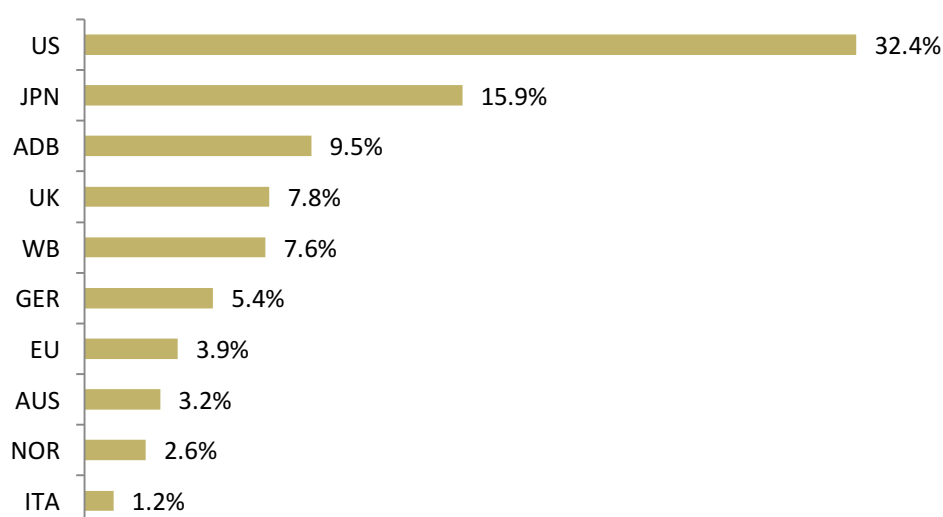
In general, pooled funding mechanisms have been effective in bringing donor funds on-budget, particularly given that the use of the bilateral on-budget mechanisms are constrained by the donors' own legal systems and their risk appetite. This, however, has not added more flexibility to on-budget assistance and has given agencies administering these funds increased influence over the direction of development policy. The use of pooled

funding mechanisms should serve as a primary step to increase on-budget assistance and should include the possibility for transitioning to direct use of country systems as government capacities increase. This calls for systematic joint assessments of risks and capacity building programs to achieve the dual GoIRA priorities of greater country system use and strengthening.

## US, Japan, ADB, UK and the WB are the top providers of on-budget assistance

The following top 10 donors provided approximately 89 percent of on-budget assistance during 2012-14 (Figure 3-5). It is important to note that only four of the top 10 donors have met or exceeded their 50 percent on-budget target.

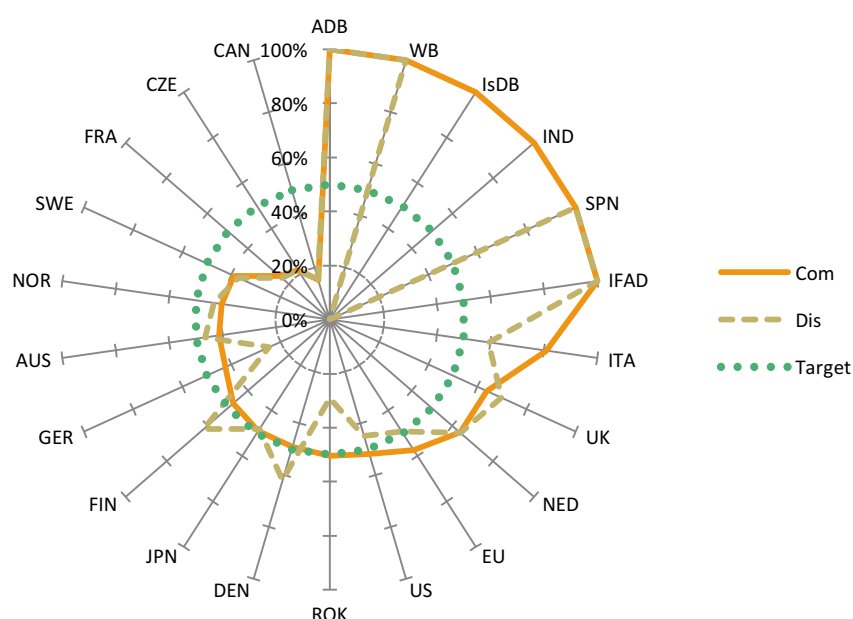
Figure 3-5 Top 10 on-budget donors (as % of total on-budget aid), 2012-14



*Source: On-budget disbursement data provided by MoF and off-budget data provided by bilateral and multilateral donors (2014).*

Of all the bilateral and multilateral DPs and funds, 12 managed to achieve or exceed the target of channeling 50 percent of ODA through the on-budget system by volume of commitments, and only 9 achieved or exceeded the same target by volume of disbursements during 2012-14. Combined, donors who met the 50 percent on-budget target by volume of disbursements contributed 31 percent (USD 1.9 billion) of the total on-budget assistance in these years.

Figure 3-6 Donor performance against on-budget targets by commitments and disbursements, 2012-14

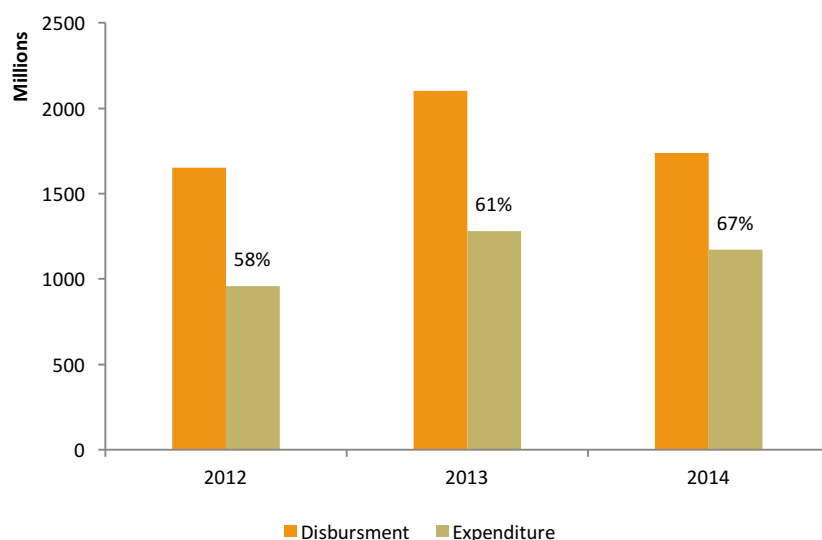


Source: Development Assistance Database/MoF (2014).

### National budget expenditure rates have improved

Donors have identified slow expenditure rates as a major bottleneck for channeling more of their assistance through on-budget modalities. Between 2012 and 2014, of USD 6.28 billion of ODA disbursed on-budget, 88 percent (USD 5.49 billion) was allocated to programs. During this period, USD 3.4 billion was spent on development projects and recurrent activities, accounting for 62 percent of total on-budget disbursements. A year-on-year comparison of data shows that the expenditure rate has increased from 58 percent in 2012 to 67 percent in 2014. However, the highest volume of on-budget ODA expenditures took place in 2013 (USD 1.28 billion).

Figure 3-7 ODA expenditures as a percent of on-budget disbursements, 2012-14



Source: MoF (2014).

Over the past 12 years, Afghanistan has improved its public finance management capacity considerably compared to other low-income and fragile states. A recent study commissioned by the President's Office to assess the efficiency of the Public Finance Management (PFM) systems in Afghanistan concluded that the non-discretionary nature of on-budget ODA impedes budget implementation, among other factors. This means that ODA is misaligned to spending priorities, and a substantial portion of on-budget ODA is locked in projects designed and controlled directly by donors. The study calls on both donors and the government to explore innovative options for on-budget financing that are more flexible and closely aligned with government priorities.

### Off-budget ODA may not be fully aligned with national priorities

Following the Kabul Conference of 2010, the GoIRA established a set of 22 National Priority Programs (NPPs) grouped into 5 main development clusters: agriculture and rural development, governance, human resource development, infrastructure and private sector development, with an additional sixth NPP addressing security. Each cluster has a set of sub-components and deliverables.

As part of their efforts to make aid more predictable and harmonized over the medium to long term, the GoIRA has estimated aggregate ODA costs needed for each development NPP per year until 2030. At the Tokyo Conference in 2012 and as part of the Kabul communiqué,

DPs committed to aligning a minimum of 80 percent of ODA with the NPPs as part of their TMAF mutual accountability commitments.

According to the government's AMP (2012), to be counted towards the 80 percent TMAF alignment target, ODA must be aligned at the deliverable level. As most donors conducted self-assessments of alignment at the cluster or component levels for 2012-14, the GoIRA cannot confirm that the alignment figures provided below are an accurate reflection of real donor alignment with NPPs. However, it is possible to measure aggregate alignment trends against the data provided by DPs.

Between 2012 and 2014, the total estimated spending needed for all NPPs was approximately USD 12.4 billion.<sup>12</sup> According to data from donors, total ODA aligned with NPPs during this period amounted to approximately USD \$9.2 billion, leaving a funding gap of about \$3.2 billion.<sup>13</sup> However, an analysis of data received from government ministries for 18 NPPs for the same period suggested that NPP funding was approximately USD 4 billion, indicating a USD 8.4 billion funding gap.<sup>14</sup>

The divergence between these figures suggests a need for coordination between donors and the government to agree on what criteria must be met in order for ODA to be considered aligned. During its ongoing NPP review, the Government will simplify and clarify the alignment process to improve mutual understanding. The AMP (2015) and accompanying Guidance Note on alignment provides additional information on how ODA should be aligned in the future.

There are a number of important limitations to the results above. As previously noted, these results are based on development partner and ministry self-assessments of alignment, often at the cluster or component level and not at the deliverable level as required. Additionally, some donors did not complete NPP alignment self-assessments, and their contributions are not captured in the data. Therefore, the results should not be taken as precise estimates of NPP alignment, but should instead be considered as an indication of overall trends.

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<sup>12</sup> According to Ministry of Finance NPP costing estimates.

<sup>13</sup> The figure for total aligned ODA from donors does not include funds from donors who did not conduct self-assessments of alignment. This group includes large donors such as Japan.

<sup>14</sup> Policy Department, Ministry of Finance. Data from Ministry sources does not include the following NPPs: Strengthening Local Institutions, Comprehensive Agricultural Production, National Energy Supply, and Skills Development. The MoF did not receive data from Government sources for these NPPs.

## Chapter Four

### Transparency of Aid for Improving Accountability

As an aid dependent country, access to reliable, comprehensive and timely information about aid flows has a major impact on the government's ability for effective budgetary planning and implementation to achieve desired development outcomes. An assessment against TMAF and AMP benchmarks in these areas shows uneven results. Overall, progress has been made in establishing frameworks for transparency and accountability. However, progress with Development Framework Agreements (DFAs), joint assessments, Financing Agreements (FAs) and forward spending plans has been limited, negatively affecting the quality of budget planning.

Efforts by the government and DPs have resulted in developing a robust infrastructure for improving ODA data sharing and accountability frameworks. The Government and DPs significantly increased the proportion of ODA captured in the DAD, the official Government database on aid. However, more efforts are required to enhance quality and timeliness of data in order to realize its potential in supporting accountability and development results. Moreover, a platform for dialogue, underpinned by a comprehensive monitoring and reporting mechanism to implement various Strategic Partnership Agreements (SPAs) between the GoIRA and DPs, should be developed and operationalized.

After presenting national and global commitments on aid reporting and accountability, this chapter will take stock of progress achieved by DPs in meeting their commitments agreed under TMAF, a key mutual accountability tool. Information is presented regarding financing agreements, DFAs, on-budget resources and alignment, joint analytical work and ODA reporting. Furthermore, factors that hamper the ability of DPs to meet government requirements for reporting and aid transparency and predictability are discussed.

Highly dependent on external aid, the Afghan Government needs access to timely, reliable and detailed data on current ODA allocations, as well as future projections of aid, to plan expenditures effectively. Without data about future aid allocations, the Government's ability to manage both domestic and external resources is hampered. This causes the Government to adjust its budget frequently, which may in turn cause significant delays in project implementation. Moreover, macro planning and overall fiscal stability can be adversely affected.

The transparency of aid and accountability of results are closely linked concepts. Transparency is the first step towards greater accountability. In addition to providing a clearer picture of the status and performance of aid-supported projects and programs, transparency can ensure accurate alignment of ODA with national programs, allowing priority sectors and regions to receive adequate financing and reducing aid fragmentation. Without adequate information on aid, both the donors and the Government will be unable to evaluate the impact of their interventions in support of identified development goals.

As a tool for coordination, transparent data on each donor's ODA will assist other donors in making the best use of resources in response to needs. Information about sector allocations and strategic focus areas of ODA, for example, will assist the GoIRA and donors to target underfunded priority sectors and programs.

### Commitments to improve ODA transparency and accountability

In recent years, through a number of high-level forums, members of the international community expressed their commitment to enhance ODA transparency and accountability. At the Paris Conference (2005), the international community agreed to five key principles for aid effectiveness, among which accountability was considered as an essential element for effective development cooperation.

Table 4-1 Key principles of the Paris Declaration on Aid Effectiveness

<b>Ownership</b>	Developing countries set their own development strategies, improve their institutions and tackle corruption.
<b>Alignment</b>	Donor countries and organizations bring their support in line with these strategies and use local systems.
<b>Harmonization</b>	Donor countries and organizations co-ordinate their actions, simplify procedures and share information to avoid duplication.
<b>Managing for Results</b>	Developing countries and donors focus on producing – and measuring – results.

## Mutual Accountability

Donors and developing countries are accountable for development results.

*Source: OECD (2005).*

Mutual accountability is explicitly mentioned as a key principle of the Paris Declaration, as donors and recipient countries agreed to be more accountable to each other and to their citizens. Although not included as a key principle, transparency was still considered as an important tool given that accurate ODA data enables the assessment of the above-mentioned principles.

The Accra Agenda for Action (AAA) included a specific commitment for improving aid transparency. Donors committed to disclose regular, detailed, and timely information on development expenditures. Additionally, AAA called for broadening the engagement of stakeholders, such as civil society actors and the parliament, in promoting transparency and accountability.

### BOX 4-1 ACCRA commitment to enhance transparency and accountability

The participants in Accra agreed to: “Make the full range of information on publicly funded development activities, their financing, terms and conditions, and contribution to development results, publicly available subject to legitimate concerns about commercially sensitive information.

Focus, at the country level, on establishing transparent public financial management and aid information management systems, and strengthen the capacities of all relevant stakeholders to make better use of this information in decision-making and to promote accountability.

Implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on resources provided through development co-operation, taking into account the statistical reporting of the OECD-DAC and the complementary efforts of the International Aid Transparency Initiative and others. This standard must meet the information needs of developing countries and non-state actors, consistent with national requirements. We will agree on this standard and publish our respective schedules to implement it by December 2012, with the aim of implementing it fully by December 2015.”

*Source: Accra Agenda for Action, 2012*

In another landmark forum, the 4th High Level Forum on Aid Effectiveness (HLF-4) held in Busan (2011), donors and recipient countries proposed time-bound commitments to “improve the availability and public accessibility of information on development cooperation and other development resources”. It was during the Busan Conference that the International Aid Transparency Initiative (IATI), a voluntary, multi-stakeholder initiative

currently endorsed by 24 countries, was established. Moreover, the g7+ group of countries launched the New Deal for Engagement in Fragile States, an agreement endorsed in Busan by 44 donor countries and multilateral partners to change the way DPs engage in countries affected by fragility and conflict. The New Deal has broadened the scope of transparency to apply to both external aid and domestic resources, and emphasized the role of parliaments and the citizens to assess the transparency of these resources.

#### BOX 4-2 New Deal commitment to enhance transparency in fragile states

“We will ensure more transparent use of aid (ODA and non ODA). We will monitor, through the DAC, overall resource flows to fragile states and will track international assistance against individual goals. Locally, countries with international support, will strengthen, or where necessary, support the creation and development of national reporting and planning systems (e.g. budgets, transparency portals, aid information management systems) and provide support to domestic oversight mechanisms including national parliaments. We will support the greater transparency of fiscal systems in a manner consistent to capacity and context, drawing from good practice from the g7+ and agreed international benchmarks on transparency of aid resources in a manner consistent with International Aid Transparency Initiative (IATI) compatible standards. We will solicit citizen’s views to assess the transparency of domestic resources and aid. These commitments build on the Paris Declaration and Accra Agenda for Action.”

Informed by global efforts, a number of frameworks have laid the foundation for transparency and accountability in development partnerships in Afghanistan. In Tokyo (2012), the GoIRA and donors agreed to the Tokyo Mutual Accountability Framework (TMAF) in order to monitor and report on their commitments. This includes time-bound and specific indicators encompassing various aspects of transparency (Appendix F). As the name suggests, TMAF also established an accountability mechanism between the GoIRA and its DPs between 2012-2017. A three-tiered structure to provide the necessary political and technical support for TMAF was created. First, a Joint Coordination and Monitoring Board (JCMB) was established at the political level. Second, Senior Officials Meetings (SOMs) are held every two years to review progress. Third, Ministerial-level Meetings are held every two years to monitor progress of TMAF commitments and to update indicators as needed, to re-assess resource requirements, and to renew international commitments.

Transparency and accountability in the management of development cooperation was identified as one of the five main objectives of the GoIRA’s AMP, endorsed by DPs in 2012. The AMP includes specific policies on the transparency of ODA (policy 14), accountability and transparency of public finances (policy 16), and accountability of development results (policy 18).

To further enhance the transparency and accountability of public finances, in 2010 the GoIRA adopted a Public Finance Management Roadmap, a program of PFM reform focused on strengthening the effectiveness of the national budget to deliver priority development outcomes. Moreover, since 2008 Afghanistan has participated in the Open Budget Survey, which assesses a country's budget transparency. In 2012, Afghanistan scored 59 out of 100 on the Open Budget Index (OBI), a globally accepted measure of budget transparency. This score was higher than the average score of 43 for all 100 countries surveyed during the same period, ranking Afghanistan's budget as the second most transparent in South Asia after India.

In 2009, the announcement of the Extractive Industries Transparency Initiative (EITI) was another breakthrough in making domestic resources in the extractives sector more transparent. In 2010, Afghanistan implemented all EITI sign-up indicators and was accepted as a candidate country. In following EITI standards, GoIRA committed to publish all payments of taxes, royalties, and fees it has received from its extractives sector. At the same time, extractive companies operating in Afghanistan are required to publish what they have paid to the Government. A multi-stakeholder group oversees the process with representatives from the government, companies, and civil society. The findings are regularly published in the Afghanistan EITI report.

Following the above developments, the landmark Access to Information Act (2014) was signed by the President and approved by the *Wolesi Jirga*<sup>15</sup>. The law grants Afghans the right to get information from state institutions on matters such as the public budget. A joint working group has been developed with the involvement of the Government and civil society to monitor the implementation of the law.

### Improved data collection for transparency and predictability

The MoF has undertaken a number of initiatives to improve collection and accessibility of information on ODA allocations. The official source of information about ODA provided to Afghanistan is the Development Assistance Database (DAD).<sup>16</sup> The system has the capability to capture project-level details on ANDS sectors, provinces, quantitative financial data, delivery channels, and organizations involved in implementation.

In an effort to standardize reporting processes and provide more clarity on the type of information required by the Government, the MoF developed an ODA reporting guideline in 2014, including a standard reporting cycle. The ODA data cycle was synchronized with the Budget Calendar to ensure that aid information feeds into budget planning process and that it is compatible with government spending patterns.

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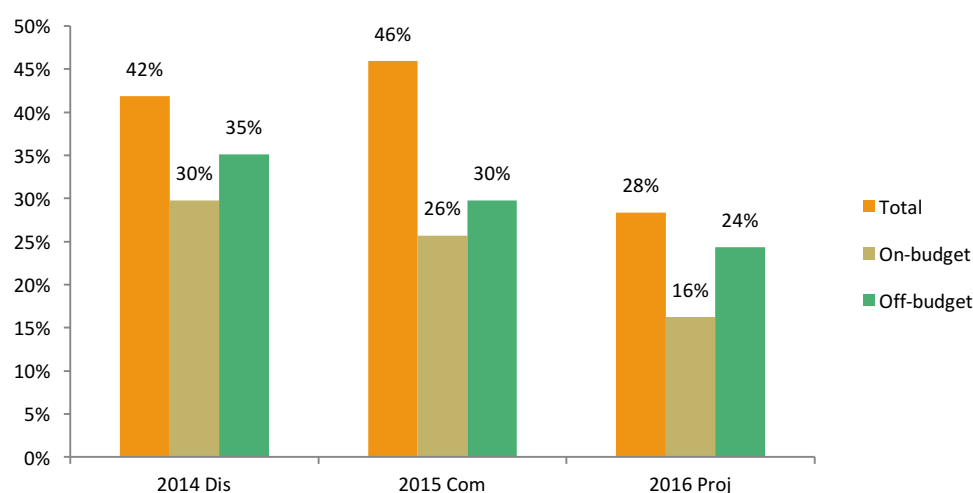
<sup>15</sup> This is the lower House of Parliament.

<sup>16</sup> Link to the DAD: <http://dadafghanistan.gov.af>.

In 2013, nearly all DPs reported ODA allocations according to at least some of the DAD-required fields. An estimated 58 percent of 2013 aid allocations were registered in the system.<sup>17</sup> This ratio increased to 97 percent in 2014.<sup>18</sup> Making aid data available through the DAD is an important first step in improving transparency, but timeliness and the quality of the data is also important. The right information, at the right time, and in the right format, is needed to support accountability and transparency efforts. The performance of the donors in providing timely and consistent data has been mixed. As demonstrated in Chapter Two, donors were able to specify 82.3 percent of ODA allocations by ministry, 81 percent of ODA allocations by sector, and 68.4 percent of ODA allocations by geographic locations. This means that data on ODA disbursements remains incomplete, with negative implications for government planning.

An analysis of the latest data collected from donors in early 2015 shows that only 51 percent of donors provided commitment and disbursement data based on the Afghan fiscal year.<sup>19</sup> About 42 percent of donors provided disbursement data for FY 2014, and some 46 percent provided commitment data for FY 2015. Again, these gaps affect policymaking and accountability.

Figure 4-1 Donor response rates to MoF ODA Request #1



Source: MoF (2015).

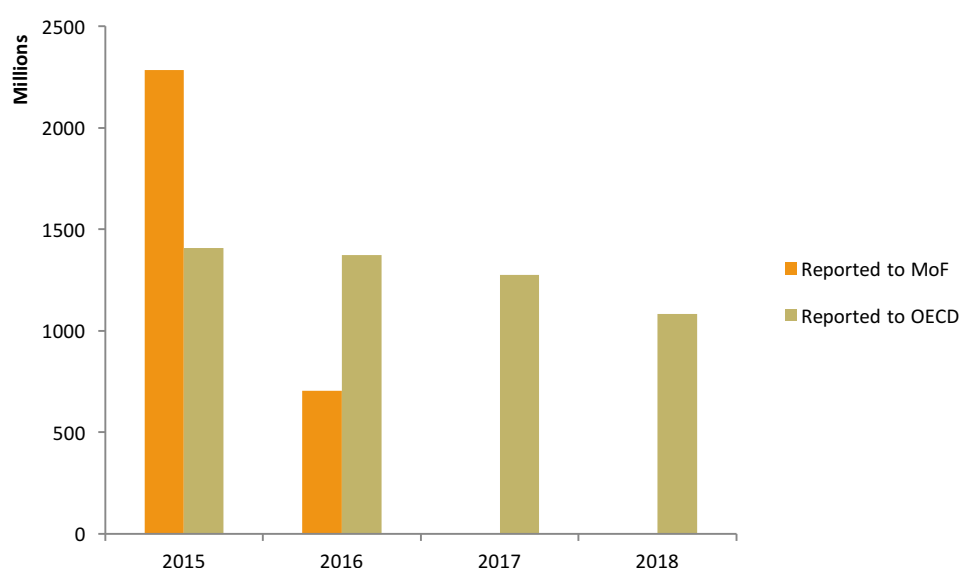
Additionally, there are considerable inconsistencies in how donors report ODA in country and to other global mechanisms. ODA data reported by donors to the OECD for 2016 is more than 50 percent higher than what was reported to the MoF for the same period.

<sup>17</sup> DAD (2013).

<sup>18</sup> DAD (2015).

<sup>19</sup> The Afghan fiscal calendar begins on 21 December. Instead of reporting the allocation figures based on the Afghan fiscal year, some donors do so based on their own fiscal calendars, resulting in discrepancies.

Figure 4-2 Projected ODA allocations as reported to the MoF and the OECD



Source: OECD Stat (2015) and MoF (2015).

Publish What You Fund, a global mechanism promoting greater ODA transparency, has developed useful guidelines for reporting (Box 4-3).<sup>20</sup> Progress on aid transparency in Afghanistan requires consensus on common reporting standards among donors.

#### BOX 4-3 Good practices for ODA reporting

**Comprehensiveness** - covering all aid given, both in terms of breadth (all the different types of foreign assistance – development, humanitarian, post conflict, security, etc.) and depth (detailed enough for others to be able plan on the basis of that information).

**Budget compatibility** – aid information presented in-line with recipient-country budget cycles (planning, evaluation, etc.), particularly recipient budget classifications to make information comparable both between donors and with the recipient's spending patterns.

**'Traceability' of aid** – capturing the full 'supply chain' of aid, tracking the re-granting and subcontracting of aid.

**Terms of aid** – information on conditions, terms, sub-contractors, etc. (not only financial information).

**Timeliness** – information is current (unlike the OECD DAC data which reports data after 2 years).

**Medium-term forward plans** – information on future aid activities, as well as planned and

<sup>20</sup> For more information about aid transparency <http://www.publishwhatyoufund.org>.

estimated spending, that allow for medium-term (3–5 year) planning.

Source: Publish What You Fund, 2014

Despite progress on reporting financial data, limited progress has been made to improve donor reporting on the alignment of their ODA to NPPs. Only 31 percent of DPs have reported partial data on alignment, accounting for 23 percent of total disbursements from 2013 to 2014. As discussed in Chapter Three, while ODA disbursement can be categorized against NPP goals, it is not clear if specific deliverables within each NPP were supported. Some NPPs were funded beyond their financing requirements, while others were underfunded. This may stem from a lack of coordination among donors and with GoIRA. There is also no systematic way to share information on who financed, or is intending to finance, which NPP deliverable. Adopting a programmatic approach and financing NPPs through pooled funding mechanisms could reduce disparities in NPP funding.

Most donors only provide aid commitments on an annual basis, which reduces the reliability of budgetary and fiscal forecasting. This is despite commitments made in Busan for all donors to provide three to five-year indicative forward expenditure plans to recipient countries.

#### BOX 4-4 Busan commitments to improve ODA predictability

“We will also work to make development cooperation more predictable in its nature. To this end: Those of us who committed, through the Accra Agenda for Action, to improve medium-term predictability will implement fully our commitments in this area, introducing reforms where needed. By 2013, they will provide available, regular, timely rolling three- to five-year indicative forward expenditure and/or implementation plans as agreed in Accra to all developing countries with which they co-operate. Other actors will aim to provide developing countries with timely and relevant information on their intentions with regard to future cooperation over the medium term.”

Source: OECD (2011).

At the Tokyo Conference (2012), donors agreed to a number of commitments in this area, including reconfirming their Tokyo pledges by the end of 2012. As discussed in Chapter Two, while most donors who pledged in Tokyo reconfirmed their aggregate ODA pledges, only a few were able to provide annual breakdowns (0).

Likewise, under the TMAF donors committed that “by December 2013, each Development Partner finalizes its Development Framework Agreement (DFA) or equivalent (the format to be agreed by MoF) to reconcile donor assistance with government development priorities, make aid more predictable and to confirm mutual accountability.” Although not legally

binding, DFAs are expected to make more systematic and predictable ODA allocations by clearly outlining policy priorities, sectors, themes, and modalities. A key requirement of the DFA is to provide indicative midterm ODA allocations, which may be subject to change. In this regard, MoF issued a guidance note outlining a specific course of action to finalize DFAs for each donor.

During the past three years, Afghanistan signed a number of cooperation agreements and declarations, including with the US, Norway, Denmark, Italy, India, Finland, Germany, Qatar, UK, China and Australia. Afghanistan also signed a long-term treaty with France (0). Only some of these agreements outline cooperation principles in detail and fully qualify as DFAs. Other ones should either be amended, or separate DFAs should be negotiated. DFAs with Norway, the Netherlands, and Japan are currently under discussion.

Poor follow-up by the Government and the reluctance of donors to sign DFAs are the main reasons for limited progress in this area. Of the DFAs that are in place, few have specific mechanisms for review and follow-up. The Law on International Agreements and Treaties gives responsibility for monitoring and reporting on the implementation of commitments the Ministry of Foreign Affairs (MoFA).

There are also notable differences among donors in information provided on future commitments. Most donors provide only aggregate information on their future disbursements. Some donors who responded to ODA data request #1 issued by the MoF in February 2015 were able to disaggregate this information by type (e.g. development vs. humanitarian assistance) and by modality (e.g. bilateral on-budget, trust funds, and off-budget contributions). Few were able to provide a breakdown of this information by programs and projects in the DAD system. Some major donors such as Germany and Norway did not provide any information in response to this request.

There are a number of factors that hamper the ability of DPs to meet the Government's requirements for reporting and aid transparency and predictability. Generally speaking, bilateral donors operate within annual budgets with different financial years. As shown in 2 below, the financial years of only five of the top 10 bilateral donors correspond to the calendar year. Although Afghanistan changed its fiscal year in 2012 to coincide with the Georgian calendar, information on ODA allocations for donors who present their budget proposals to their Parliaments after the month of October is often not available when the GoIRA prepares its annual budget. In most countries, the budget for development cooperation is agreed by Parliaments at an aggregate level. The ministries responsible for development cooperation normally administer country-specific allocations and disaggregated project-level distributions.<sup>21</sup> This adds a further time lag between the approval of ODA and allocations to country level projects.

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<sup>21</sup> Results of the 2014 DAC survey on donors' forward spending plans – OECD.

Table 4-2 Fiscal years for the top 10 bilateral donors

Donor	Financial Year	Budget Submitted to Parliament
Netherlands	Jan 01 - Dec 31	September
Korea	Jan 01 - Dec 31	September
Germany	Jan 01 - Dec 31	September
Denmark	Jan 01 - Dec 31	August
Norway	Jan 01 - Dec 31	October
United Kingdom	April 01 - March 31	March
Japan	April 01 - March 31	January
Canada	April 01 - March 31	February
Australia	July 01 - June 31	May
United States	Oct 01 - Sept 30	February

Source: MoF/AMD (2014).

Moreover, some of the largest providers of ODA have multiple agencies operating at the country level. For instance, while USAID is the official aid agency for the US Government and manages the bulk of ODA resources, there are other specialized agencies of the US Government, such the US Department of Agriculture (USDA), that deliver ODA-funded projects. In the case of Germany, two central government ministries, the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Foreign Office (FFO), manage different types of development cooperation in Afghanistan. Thus, getting comprehensive data on future aid allocations from the largest providers often requires additional coordination measures on the part of both donors and the Government.

Given that most donors have some form of Medium-Term Expenditure Framework (MTEF), the goal of predictable development cooperation is not out of reach. At the country level it requires strong, inclusive, and Government-led mechanisms for coordination and information management. As mentioned earlier, the Government has taken necessary steps in this regard by putting in place specific guidelines and developing the ODA data cycle. The GoIRA strategy paper presented in London (2014) also committed to the establishment of a working group mechanism to streamline information-sharing among donors, across government agencies and between donors and the Government.

## Accountability for Results

The principles of managing for results call on donors and recipient governments to focus resources on achieving specific development outcomes and to be accountable for delivery. In recent years, with support from donors, the GoIRA has made progress in outlining national priorities for Afghanistan. The Afghan MDG goals included specific targets for eradicating poverty by 2020. Additionally, the ANDS set out the Government's approach to development, and the 22 NPPs include specific development outputs and deliverables. These should be monitored and reported to all stakeholders on a regular basis.

In 2012, the Government and the international community agreed to a political framework for improved accountability – the Tokyo Mutual Accountability Framework (TMAF). Consisting of two parts, one details time-bound reform commitments for the government and the other details aid effectiveness commitments for the donors. The TMAF established an accountability paradigm necessary for building mutual trust and making development cooperation more effective. Although the implementation of TMAF was characterized by a number of successes, a number of shortcomings in the design of the framework led to uneven progress, according to a the Overseas Development Institute (ODI) review (Box 4-5).

### BOX 4-5 ODI review of TMAF limitations

- The document is not a mutual accountability framework: It is more of a contract between the GoIRA and its partners. There are few obligations on the partners' side if they do not deliver on their commitments.
- Neglect of the issues of fragility, conflict and violence: Despite the on-going conflict for more than three decades, and the interdependence of security and development, the framework doesn't include specific benchmarks for dealing with conflict and peace-building. The New Deal calls for a fragility assessment to be the basis of country-partner strategies and this seems completely lacking.
- Neglect of security forces financing: Afghanistan's security forces are very expensive in relation to budget revenues and Afghanistan will need support for provision of training, air support and logistics, and etc. which has been ignored in the framework.
- Inclusive accountability stakeholders are not mentioned: the role and involvement of the citizens, civil society and media in holding the Government and Afghanistan's partners accountable for results is missing in the framework. Civil society was involved originally in the Tokyo process to develop the TMAF and they were foreseen to have a role in the implementation and monitoring of the TMAF. However, since then their engagement has been limited and sporadic.
- The TMAF and AMP discussions have been predominantly driven by the Ministry of Finance and are not yet embedded across government ministries.

*Source: Extracts from a TMAF review conducted by the Overseas Development Institute (2014).*

Because of poor linkages between TMAF commitments on effective development cooperation and the AMP on the one hand, and TMAF commitments on reform and the NPPs on the other hand, the TMAF ultimately failed to serve as a mechanism for accountability for ODA spending in the country. As discussed in Chapters Two and Three, while the share of on-budget aid has increased, it still fell slightly short of the 50 percent target in the three years. Also, increased on-budget assistance did not translate into more discretionary resources for the Government. There is also no convincing evidence that the implementation of the TMAF has resulted in improved alignment of ODA with national priorities.

However, the TMAF process created a forum for policy dialogue on a set of reforms selected by the Government and DPs. Over time, the policy dialogue has become more prescriptive as the TMAF also allowed donors to incentivize the implementation of certain reform commitments over others through aid conditionality. By doing so, the TMAF process deepened the technical and political involvement of donors in government processes and shifted accountability from development results to specific donor-driven policy priorities. It also shifted accountability from domestic actors, including civil society, to donors.

In addition to the TMAF, there are a number of accountability tools and mechanisms adopted by both the Government and DPs. From 2012 through 2014, the Government has conducted a Joint Portfolio Review (JPRs) exercise with at least five major donors. These include an annual review of portfolio performance with the WB, a quarterly portfolio review with the ADB, a bi-annual portfolio review with the US, and others. The JPRs have proven effective in assessing the performance of the aid portfolio of a participating donor against agreed targets and addressing project implementation bottlenecks. Another mechanism that has proven effective in promoting policy alignment and accountability is the Development Cooperation Dialogue (DCD) process conducted by the MoF on an annual basis. In 2014, the scope of this exercise was broadened to include all United Nations agencies, programs and funds working in Afghanistan. DCDs provide a useful platform for bilateral dialogue between the Government and donors to deepen their understanding of policy priorities, approaches, and practices with an aim of promoting mutual accountability.

Joint analysis, research, and assessments are another key tool for promoting mutual accountability. Joint analytical work is endorsed and promoted by all global frameworks on aid effectiveness: Rome, Paris, Accra, and Busan, and represents both an opportunity for donors and recipient governments to harmonize their cooperation in a comprehensive manner. To this end, the AMP contains two policies on joint assessments (Policy 4 and 15) and the Annex II of the TMAF includes a specific deliverable for donors and the Government to engage in more joint analysis.

The GoIRA has collected data on this commitment, starting with the Paris Declaration Monitoring Survey in 2010<sup>22</sup>. Data for 2012 and 2013 was gathered from the last round of DCDs, which indicates a negative trend under this commitment.

Table 4-3 Joint analytical work as a percentage of total analytical works, 2005-14

	2005	2007	2010	2013/14
Coordinated Donor Analytical Work	34%	32%	35%	12.5%

Source: AMD (2014)

Another tool for improving accountability is the requirement to sign Financing Agreements (FAs) for all projects. FAs are intended to support the GoIRA to “guide, facilitate and monitor all development investments” in the country, and are a requirement of the AMD and a deliverable under the TMAF<sup>23</sup>. According to the Public Finance Management Law (PFML), FAs should be signed between the MoF on behalf of the GoIRA and the funding agency for each project. It is not required to sign Financing Agreements between the GoIRA and implementing agencies (i.e. NGOs, subcontractors, etc.) unless the implementing agencies are part of a tripartite financing arrangement. To facilitate this process, the MoF issued guidelines for establishing such agreements with donors.

An analysis of the progress under this commitment shows that donors have signed FAs for all of their on-budget projects, while progress on signing FAs for off-budget projects is still lagging (4). Out of USD 7 billion of total off-budget ODA disbursed in 2012-14, only 41 percent is covered by FAs. Only Canada, China, Denmark, EU, France, IFAD, Italy, New Zealand, UK, and the US have signed FAs with the Government.

Table 4-4 Percent of FAs for off-budget ODA

	USD Million FY 2012	FY 2013	FY 2014	Total FY 2012-14
Total ODA Disbursed through off-budget	2286.98	2654.46	2082.25	7023.69
Financing Agreements signed	631.90	1615.39	641.25	2888.54
%	28%	61%	31%	41%

Source: AMD (2015)

<sup>22</sup> OECD (2011), Aid Effectiveness 2005–10: Progress in implementing the Paris Declaration, OECD Publishing.

<sup>23</sup> GoIRA, AMP, 2012.

Despite these tools, a number of constraints remains that need to be addressed. Statistical data about the evolution of socio-economic indicators in Afghanistan during these years is scant. A national assessment of progress against MDGs has not been conducted in recent years. The Afghanistan Human Development Report, another key document that tracks progress against development indicators, has not been published since 2009.<sup>24</sup> The latest round of the National Risk Vulnerability Assessment Report, the largest nationwide social-economic survey, was delayed, and the latest report presents data from 2010/11.

Most donors regularly review the achievements of their portfolio but they do not always share findings with the Government, even when requested. Given that close to 52 percent of ODA was managed directly by DPs 2012-14, and each has their own mechanisms for monitoring results, agreeing on a common standard and a unified mechanism for monitoring results remains crucial.

In addition to discussing progress with TMAF indicators, JCMBs should discuss outcomes of other mechanisms, such as the DCDs and the joint portfolio reviews.

The use of the DAD needs to be expanded to capture not only results but also information on future ODA flows for each project and program. This also requires improved statistics capacity in state institutions in order to closely monitor and update development indicators.

Government counterparts for specific projects and programs must participate in, sign off, and receive all evaluations. In addition, project and program evaluations should be translated in at least one of the local languages and publically disseminated. The Government must also reserve the right to request independent third party or a joint donor-government evaluation to improve accountability.

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<sup>24</sup> The recent report of Afghanistan Human Development Report was prepared in 2011 but it was not launched by UNDP.

## Chapter Five

### Towards Effective Development Cooperation

While significant progress has been made on improving the effectiveness of development cooperation, a number of challenges remain for ODA to realize its full potential in addressing poverty and bringing about sustainable development. Some challenges are noted in aid conditionality, reporting and transparency, predictability, fragmentation in aid architecture and aid delivery, alignment with national priorities, and the use of country systems. The effective use of aid underpins the Government's policies, plans, programs and projects as ODA constitutes a large proportion of GDP and Afghanistan's partners fund nearly all development programs.

This chapter discusses the current policy frameworks that govern development cooperation in Afghanistan. Progress on Annex II of TMAF, which includes priority commitments and time bound targets for improving aid effectiveness are assessed. It includes specific recommendations on priorities for aid effectiveness, taking into account government priorities as articulated in the Realizing Self-Reliance paper. In view of a potential decline in ODA, the chapter introduces development finance sources that Afghanistan has not utilized over the past decade. While these alternative sources are not sufficient to fill the void created by a possible decline in ODA, they can be seen as complementary sources of development funding, particularly for underfunded sectors.

Afghanistan is not short of policies for effective development cooperation. At the international level, Afghanistan endorsed the New Deal for Engagement in Fragile States in 2011. MoF is in the process of preparing the country's first background study to identify conflict-induced barriers to development as well as opportunities that will lead the country to achieve resilience. Afghanistan is also party to the Global Partnership for Effective Development Cooperation. These commitments built on the 2008 Accra Agenda for Action, the 2005 Paris Declaration on Aid Effectiveness, and the 2003 Rome Declaration on Harmonization.

At the national level, GoIRA and its DPs have agreed to policy frameworks on effective development cooperation. The revised AMP (2015) provides a set of guiding policies for effective delivery of aid in Afghanistan. The AMP incorporates lessons learnt from a decade of aid delivery practices in Afghanistan. It makes recommendations based on the two outcome documents of the Fourth High Level Forum on Aid Effectiveness (HLF-4), namely the Global Partnership for Effective Development Cooperation (GPEDC) and the New Deal for Engagement in Fragile States.<sup>25</sup>

The GoIRA and its DPs have also made progress on developing mutual accountability frameworks for development assistance. At the Kabul conference of 2010 and in subsequent conferences in Tokyo (2012) and London (2014), the Government and the DPs agreed that a fundamental shift was required in order for development cooperation to fulfill its catalytic role, with a particular shift in focus from donor-led to government-led approaches. During the 2012 Tokyo Conference, a Tokyo Mutual Accountability Framework (TMAF) was launched, which included commitments for channeling at least half of the ODA resources committed to Afghanistan through the national budget, aligning 80 percent of aid with National Priority Programmes, and improving sub-contracting practices, among others.

As agreed at the London Conference of 2014,<sup>26</sup> both the Government and the international community renewed their commitment to the Tokyo Mutual Accountability Framework (TMAF). Both sides again renewed their commitment for effective development cooperation in the Senior Officials Meeting (SOM) in September 2015, where the Government and DPs agreed on a new set short-term and long-term priorities and development reforms as set out in the Self-Reliance through Mutual Accountability Framework (SMAF) document. The SMAF defines mutual accountability principles, which will govern partnerships between GoIRA and Afghanistan's DPs for the next three years.<sup>27</sup> The SMAF includes specific commitments for both donors and the Government, as well as a list of short-term

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<sup>25</sup> The New Deal for Engagement in Fragile States is a framework, which was endorsed by 40 countries and organizations at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. Afghanistan is one of the seven g7+ countries that agreed to pilot the New Deal. UNDP is supporting the implementation of the New Deal both at country and global levels.

<sup>26</sup> 4<sup>th</sup> December 2014.

<sup>27</sup> Islamic Republic of Afghanistan, "Self-Reliance through Mutual Accountability Framework (SMAF)", 15 September 2015.

deliverables to be achieved by both parties by the end of 2016.

#### BOX 5-1: Mutual accountability governing principles

1. The international community will support the developmental priorities identified by the Government;
2. The Government's delivery of the mutually agreed commitments will be key for sustained international support;
3. Predictable aid is critical to effective government delivery;
4. Lessons from aid effectiveness should be acted upon by the international community and the Government;
5. Building a system of governance is crucial to the elimination of corruption and ensuring transparency, efficiency and effectiveness;
6. International assistance aligned with a limited number of outcome-focused National Priority Programs is essential for the sustainability of development assistance and citizen buy-in and loyalty;
7. A greater share of international assistance should be provided through the national budget to ensure alignment of short, medium and long-term goals;
8. Transparent, citizen-based, and well-monitored development and governance benchmarks provide accountability to the Afghan people, and reinforces the reciprocal commitments of donors and the Government to improved development performance;
9. Building market institutions is critical to attracting domestic and foreign investment and thereby creating sustainable economic growth and jobs; and
10. Regional economic cooperation is the key to ensuring growth, eliminating poverty, and utilizing the immense trade and transit potential of Afghanistan and its neighbors.

Source: GoIRA (2015).

### Review of TMAF progress reveals mixed results

An assessment of progress towards achieving 2012 Tokyo Mutual Accountability Framework (TMAF) Annex II indicators reveals a mixed picture (Collectively, donors channeled nearly 50 percent of their aid through the national budget in 2012-14, as noted in Chapter 3. The number of donors regularly populating their aid information in the Development Assistance Database (DAD) has increased, but the quality of information still requires improvement (chapter 4). The DPs have fulfilled their Tokyo ODA pledges so far (chapter 2). However, the information provided by most donors on the amount of aid pledged at the 2012 Tokyo Conference lacked clarity, with few donors providing indicative forward spending plans. Likewise, while most donors reported that the 80 percent target of aid alignment to NPPs has been met, few provided partial data on alignment at the deliverable level (chapter 3). In this light, it is reasonable to conclude that most donors might be aligned with overall objectives of the NPPs, but there is no substantive evidence of alignment at the deliverable

level. Finally, only a few donors have signed valid development framework agreements, and financing agreements exist for less than half of off-budget aid (chapter 4).

In a few areas, there has been little or no visible progress. Data provided by donors on the amount of joint analytical work undertaken suggests a significant decrease in 2014 (chapter 4). There is also no evidence of significant changes in the practice of sub-contracting and reducing the number of vertical levels with regards to the disbursement of ODA.

Some of the obstacles to improving aid effectiveness are inherent in policy frameworks that govern aid delivery to Afghanistan. The accountability envisioned in the TMAF was one-sided. Despite commitments for improving aid practices on the partners' side the Government does not have redress if DPs do not deliver on commitments. The AMP and the TMAF include commitments for improving aid effectiveness. While AMP is more comprehensive, its targets and indicators were not included in the TMAF. Without the inclusion of AMP goals and aid effective indicators of TMAF, the framework will contribute little to improved development cooperation.

There are a few remaining obstacles to improving aid effectiveness in Afghanistan. Despite the existence of a set of NPPs, there remains a lack of clarity about how to achieve the 80% target. Deliverables are not defined accurately for all the NPPs. Some deliverables are output-based, while others are general statements of intent. While the Government will consolidate the NPPs, the NPP review is not expected to be completed before 2017. In the interim, it is not clear how the DPs should align their off-budget assistance. In this regard, while the MoF has issued guidance to donors on alignment. However, at present, not all actors are following a standard process of alignment review, nor are existing processes jointly conducted with relevant stakeholders.

Second, while most donors have made significant progress in entering data on ODA in the DAD, some donors continue to use a number of different systems for collection and reporting aid data. Their data standards mostly do not correspond with the government's aid data requirements in terms of definitions, timeframes, activities, sector and geographical classifications, and financial details. The government has issued guidance to donors on ODA data reporting in accordance with a localized standard framework. Since not all donors are using this framework, the timeliness and quality of data is severely undermined.

Third, the 50% on-budget commitment is mainly focused on the share of aid that is channeled through the national budget and not on the flexibility of this assistance. The government does not have the discretion to reallocate on-budget aid from poor-performing projects to those that demonstrate timely and effective delivery of results. In sum, our assessment of existing policy frameworks points to the need for much a sharper focus on a few overarching issues and priorities, rather than continuing a large and scattered donor effort, as well as greater support for Afghanistan's aid management efforts.

## Priorities for Increasing the Effectiveness of Development Cooperation

As we enter the transformation decade, addressing priorities for aid effectiveness becomes more important to ensure development results and tangible benefits for Afghan citizens. In particular, the Government and its international partners must focus on the following:

### Aid Coordination Mechanisms

Strategic aid management should improve in order for planning to become more effective and results-oriented. The Cluster Coordination Mechanism must be reinvigorated or replaced by a more robust and inclusive coordination instrument. The Government is committed to reviewing the national budget-making process to ensure that it is guided by national strategic priorities, including a new four-year budget and expenditure management framework. As this work continues, it is likely that there will need to be changes to Afghanistan's existing aid coordination mechanisms.

Some existing review mechanisms, such as the Development Cooperation Dialogues (DCDs) and Annual Portfolio Review (APR), have proved effective in facilitating strategic and technical coordination. These mechanisms should continue and will complement the new donor coordination architecture.

### Supporting Ownership

All projects and programs undertaken through on and off-budget modalities should provide for meaningful input from the government during the design, implementation, and evaluation processes. Furthermore, financing agreements for all off-budget projects and programs should be signed with MoF. In addition to stating the full amount of financing, the financing agreements should include the projected recurrent cost implications where relevant.

### On-Budget Aid

Based on the Kabul Conference Commitment and the official figures provided, by the end of 2014, DPs had channeled nearly 50 percent of their assistance through national systems. The recent increase in on-budget financing has been made possible mainly through increased contributions into multi-donor trust funds (ARTF, LOTFA, APRP, and AITF), most of which are 100 percent on-budget.

In order to increase the effectiveness of the Trust Funds, GoIRA is seeking greater influence in leading and controlling the research agenda, policy analysis and decision-making responsibilities. Specifically, the Government wishes to see LOTFA transferred to full Government management. This is vital not only for increasing national ownership but also in strengthening domestic accountability.

The Government recognizes that this will require working closely with DPs to identify specific joint risk-mitigation strategies based on the fiduciary risks associated, or perceived to be associated, with the use of country systems. A crucial component in building greater ownership of Trust Funds (TFs) is the need for GoIRA to play a full role in joint diagnostic work, especially with regard to finance, macro-economic policy, and the monitoring of development activities and outcomes. This is a fundamental component in developing overall state capacity. Ideally, this work can be undertaken in conjunction with our partners. This is linked to developing the capacity for monitoring programs, which in turn underpins mutual accountability.

In the past, our partners have undertaken monitoring activities independently and the results have often not been systematically shared with the agencies responsible for planning and policy development. Improving government capacity to conduct diagnostic work is at the heart of aid effectiveness, and will help target aid towards areas that will have the highest return and are the highest priority. Greater capacity to undertake monitoring and evaluation will also ensure that there is upward accountability and help the government use evidence to make necessary adjustments to development initiatives.

## Alignment

Commensurate with Kabul Conference commitments, it was proposed that within one year of the Tokyo Conference, DPs would align 80 percent of their development spending to support the NPPs deliverables. Guidance has been provided to DPs on the realignment with NPPs but, given the challenges with measuring and reporting alignment outlined above, it is difficult to know whether alignment targets for each donor have been achieved.

The Government will establish a joint working group with GoIRA and donor representatives to address difficulties faced by our partners in ensuring that their complex programs are properly aligned with government priorities. Specific action plans should be formulated, clearly stating the objectives, the process, and timeline for aligning projects and programs with revised NPP deliverables. New projects should be required to provide measurable project and program outcome indicators that are clearly aligned with the National Priority Programs (NPPs). Line ministries should confirm that the alignment vetting process is completed before project-financing agreements are concluded.

## Harmonization

Where government systems are in place, donors should strive to use them to the extent possible. Projects and programs must not duplicate or contradict an existing Government activity, nor should they use parallel implementation mechanisms. Salaries and benefits provided to Afghan government personnel working for donor financed projects and programs must adhere to scales defined by Capacity Building for Results (CBR) guidelines.

## Managing for Results

All donor activities undertaken in Afghanistan must be monitored and their results reported to the Government. Project and program financing and their results must be registered in the MoF-managed Development Assistance Database (DAD).<sup>28</sup>

Government counterparts must participate in, sign off, and receive all evaluations. Evaluation reports should be in one of the local languages. The Government reserves the right to request an independent third party or a joint evaluation. DPs must commit to an annual results-based portfolio review with MoF of projects and programs financed through on- or off-budget modalities.

## Sustainability

Sustainability remains a critical requirement in the design, implementation and evaluation of all off-budget projects/programs. Where appropriate, projects and programs must ensure that when long-term processes or institutions are built, maintenance and running costs are forecasted for at least 5 years. A clear and realistic transition strategy to Afghan management should be planned, including targeted capacity-building activities for personnel.

## Extractive industries

Effective management of natural resource revenues is a government priority. Afghanistan boasts substantial mineral and hydrocarbon resources and is one of the world's last remaining frontiers in this regard. As a result, the extractives industries have been identified as a core economic driver in the medium to long term, with the most optimistic projections suggesting revenue levels from the sector of between USD 700 million and 1.5 billion by the early 2020s. Coordination of technical assistance in these areas is of particular importance. The development of the sector will require substantial investment from foreign and domestic private sector actors. ODA investment can be leveraged to further development this sector and attract private investment.

## Humanitarian Assistance

Information concerning the level and scope of Humanitarian Assistance is not systematically gathered in collaboration with the Government. The Government is committed to reinforcing its approach to the coordination of humanitarian assistance through existing mechanisms. The Government will adopt a more active role in both planning and implementing support for humanitarian activities and disaster preparedness. Donors are required to report disaggregated information on humanitarian assistance, including their planned allocations for each year.

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<sup>28</sup> Link to the DAD: <http://dadafghanistan.gov.af>

## Transparency

An increasing number of donors are supplying information on ODA allocations either directly in the DAD or using the MoF-provided offline excel format. However, performance of donors on the different dimensions of transparency has been mixed. This hampers the effective use of this information in national planning, budgeting processes and performance monitoring. The following are priorities:

- Timeliness of data: donors are required to adhere to the MoF ODA data cycle. Frequent updates on ODA allocations will enable the Government to accurately align allocations to the national budget and make evidence-based decisions.
- Comprehensiveness of data: most donors do not provide data for all DAD fields. Some of the most important data fields such as sector and geographic breakdown, NPP alignment, outputs, and results remain incomplete.
- Forward-looking allocations: information on future allocations is normally provided at the aggregate level. It lacks important details such as allocation through modalities (bilateral on-budget, trust fund, off-budget), projects, sectors, and geographic focus.
- Other dimensions: more disaggregated information on the gender impact of projects, technical assistance, evaluations and audit reports, and project documents would be helpful for further improving development cooperation.

## Aid Predictability

Afghanistan's partners are requested to provide predictable and reliable sources of funding. Regular, detailed, and timely information on ODA levels and allocation enable the government to develop realistic development strategies, link strategic plans with the envisaged three-year budget cycle, and establish a credible Medium Term Expenditure Framework (MTEF). Donors should improve their performance on providing indicative but reliable forward-spending plans within the legal and procedural constraints that they face. Development Framework Agreements (DFAs) have proved to be an effective tool for improving medium-term predictability of aid and donors are encouraged to take practical steps towards implementing such frameworks.

## Sector and Program-Based Approaches

Sector-wide and program-based approaches (SWAPs & PBAs) have shown good results in supporting efforts by recipient countries to coordinate support for a single comprehensive program and harmonize planning, disbursement, reporting, and audit procedures. Three sectors—health, education and agriculture—are good candidates for implementing sector-wide or program-based approaches. The Government is the major services provider in all of these sectors. After security, these sectors receive the largest proportion of the Government's recurrent budget. Most importantly, there are sufficient policy and strategy

formulation capacities in these ministries. The ARTF coordination structure can be used to implement sector partnerships in the country. It is the most appropriate modality since it serves as a joint financing mechanism for projects in these sectors, and donor procedures in these sectors are already harmonized to a large extent.

### “Aid for trade” and regional cooperation

Afghanistan’s future economic growth depends on improved trade, transit, energy, and investment cooperation with neighboring countries and the region. In this regard a number of initiatives are aimed to promote regional connectivity through mechanisms such as the Central Asia Regional Economic Cooperation (CAREC), the South Asian Association for Regional Cooperation (SAARC), the Regional Economic Cooperation Conference for Afghanistan (RECCA), Economic Cooperation Organization, SCO and projects like CASA 1000, TAPI, and TUTAP, economic confidence building measures associated with the ‘Heart of Asia’ Istanbul Process, and the development of the Lapis Lazuli Corridor and the Chabahar Port. These are important initiatives that require political, technical, and financial support of the donors.

Although there are abundant natural and mineral resources that could provide the means for sustainable economic growth and development, the Afghan economy is severely constrained by low incomes as well as inadequate human capital and physical infrastructure. Without the active support and engagement of neighbors, there will not be the increases in employment and incomes essential to significantly reduce the drivers of insecurity and continued poverty. In his inaugural speech, President Ashraf Ghani recognized that Afghanistan’s stability is closely linked with neighboring countries and proposed reaching a “regional cooperation pact with all our neighbors.” This will build on the steps that Afghanistan has already taken to establish close commercial ties with countries in the region (and the rest of the world) through a series of agreements aimed at reducing barriers to trade, the movement of goods, and cross-border investment.

The government seeks support from its partners to address these challenges, in particular with regards the following initiatives:

- Implementing the main components of the OECD-WTO “Aid for Trade” Initiative. Afghanistan needs support to connect to value chains, ease trade-related constraints, and implement improvements to the business environment and border controls
- Development aid can be particularly helpful in improving customs procedures, dealing with licensing issues, reducing transportation costs, and building a modern regulatory environment.

## Other Sources of Development Finance

Development aid has been the main source of development finance in Afghanistan since 2002. In 2012, in the lead-up to the Tokyo conference and with the military transition underway, the idea of achieving self-reliance during the transformation decade became dominant. Two key factors served to create this paradigm shift: first, the realization that aid alone is not enough to achieve Afghanistan's development goals, and second, the recognition of an evolving and increasingly complex development architecture, complemented by a possible decline in the level of ODA that Afghanistan has been receiving over the past decade.

Although the Self-Reliance Strategy paper presented in Tokyo in 2012 focused on delivering reforms and improving revenue collection, the strategy did not consider other sources of development finance that Afghanistan would need to utilize to address its growing need for development finance. This section identifies alternative potential sources of development finance that Afghanistan can utilize in the future.

### Strengthening the role of emerging donors in development cooperation

Emerging donors such as China, India, Turkey, Saudi Arabia, and the UAE, many of which are developing economies themselves, have been involved in Afghanistan since 2002. As a group, however, their level of assistance has been negligible compared to most traditional donors. India is certainly an exception, with total development assistance topping USD 1 billion over the past decade.

Sometimes termed as “non-traditional” donors, emerging donors are not a homogenous group. There is a large degree of variation in terms of aid levels, modalities, and intentions behind their aid programs. Among these providers, only Turkey's development assistance model mirrors that of traditional donors. Others are often influenced by political, religious, and regional considerations. They tend to implement projects outside the national budget and are largely focused on the infrastructure sector.

Despite their distinctive models of engagement, their presence both in terms of providing technical and financial resources can be crucial in bridging key development resource gaps. Afghanistan needs to engage Islamic donors, both bilaterals such as Saudi Arabia, Kuwait, the UAE and Qatar, and multilaterals such as the Islamic Development Bank, the OPEC Fund for International Development, and others, on the grounds of social and religious solidarity. A distinct coordination mechanism for Islamic donors needs to be established at the country level. Since they are traditionally focused on the infrastructure sector, their assistance can be utilized to improve transportation, energy, water, and agriculture.

External assistance from India and China, the largest southern providers to Afghanistan is, among others, to promote bilateral and regional trade and investment. Resources from these donors should be leveraged for investment in regional infrastructure projects. Models

such as Resources-for-Infrastructure (Rfi) swaps can be adopted to overcome funding shortages for large infrastructure projects. In the context of South-South cooperation and triangular cooperation, technical assistance and know-how could be leveraged from these countries in sectors such as agriculture, private sector development, trade, and transit. Under triangular cooperation, a traditional donor and a non-traditional donor work together to finance and implement an aid program. The contribution from a non-traditional donor can be in the form of financial or technical assistance.

### Attracting diaspora resources for development

Afghanistan has one the highest proportion of diaspora in the world. Their resources represent another untapped source of funding for development. Emotional attachment and personal connection of the diaspora to their communities provide an incentive for mobilizing these resources for small projects such as construction of schools, water points, and clinics.

Reliable information about diaspora contributions to Afghanistan is unavailable. The majority of these resources are transferred through the *Hawala* system. Issuing diaspora bonds is one approach, which Afghanistan may want to use for channeling resources. However, a number of measures should be taken in order for such a mechanism to function properly. An appropriate oversight mechanism for ensuring accountability and credibility should to be established. Developing an effective system of project prioritization, improving competition among financial intermediaries and informal money transfer agencies, and the use of technologies to increase the added value of resources, are some additional the priority measures that will need to be implemented.

### Increasing the share of vertical funds in financing projects

In addition to traditional “horizontal” country-based models of aid, Afghanistan has been receiving assistance from “vertical funds.” Also referred to as global funds, these funds have been effective in channeling resources to sectors such as health (i.e. GAVI and Global Fund for Aids, Tuberculosis and Malaria), education (i.e. Global Fund for Education) and the environment (i.e. Global Environmental Facility (GEF)).

Despite the availability of these resources, Afghanistan has not been able to take full advantage of these funds, particularly in aligning them with country priorities and establishing complementarity between these resources and existing aid programs. The main constraints are weak planning and budgeting capacities of relevant institutions to develop and implement projects. In order to effectively mobilize and utilize vertical funding sources, the Government should establish a dedicated mechanism in partnership with other actors such as the UN. For instance, in partnership with United National Environment Program (UNEP), the Government will mobilize funding available under the GEF for specific environmental projects. Likewise, complementarities between vertical funds and programs

financed through Trust Fund mechanisms in the above-mentioned sectors needs to be further explored. The utilization of vertical funds in a complementary fashion can lead to an increase in the overall financing available for specific interventions.

### Attracting foreign direct investment for development

As in other conflict-affected countries, Foreign Direct Investment (FDI) can have a positive impact on the development of Afghanistan by bringing in much-needed private capital, technology, and skills. In Afghanistan, insecurity, combined with weak regulatory frameworks and poor rule of law, discourages foreign investment. However, donor assistance can play a catalytic role through measures that will reduce the risks of doing business and strengthen investor confidence. The provision of credit, saving, and insurance products can facilitate additional private funding for development and mitigate investment risks. Initiatives such as credit guarantee facilities, SME financing, and concessional lending to the private sector can help attract FDI to the country. Furthermore, allocating ODA to projects that can improve Afghanistan's performance on doing business indicators can help improve the investment climate in the country.

### Facilitating public-private partnerships

The government has identified private-public-partnerships (PPPs) as an important mechanism to encourage investment in development projects, particularly in areas such as infrastructure and service delivery. PPPs are instruments for providing sustainable and efficient services to the public by leveraging private investments and limited government funds in order to maximize efficiencies, innovation, and flexibility in physical and social infrastructure projects and service delivery.

PPPs are most often used for economic sectors such as telecommunications, power, and water. However, attention has recently turned to using PPPs to improve social services such as health, agriculture and education, and other services such as garbage collection and facilities management. These services are traditionally provided by the public sector because most of them entail large capital outlays and have long gestation periods. The desire for greater efficiency and better services, in addition to the need for supplementary sources of finance, are now increasingly leading governments to embrace a PPP approach to provide these services.

The Government has made some progress in this area, for example by establishing a Central PPP Unit in the MoF. This unit has started preparing the basic building blocks to facilitate PPPs: developing a clear national policy, drafting amendments in the procurement law, creating an implementing institution, and drafting regulations.

Private sector engagement in Afghanistan is still limited due to security constraints and weak rule of law. Supporting PPPs may be a way of encouraging private sector engagement in development. Donor and multilateral assistance could be requested to fund advisory

costs for the first few pilot projects. It is necessary to provide requisite credit and contractual support for the first PPPs and support in the overall PPP procurement process.

Technical assistance is necessary to improve enabling legislation to attract potential investors, particularly in the areas of procurement law, concession law, tax anomalies, land issues, dispute resolution, among others. Technical assistance can also help build expertise through capacity-building in both the public and private sectors. The Government should explore the use and expansion of political risk guarantee facilities (such as MIGA and ADB) to provide reassurance for PPP investors and lenders.

Donors could also consider incorporating PPP elements into their public sector infrastructure programs in cases where it is feasible.

## Part II

### Profiles of Top 10 Providers of ODA to Afghanistan

#### Asian Development Bank

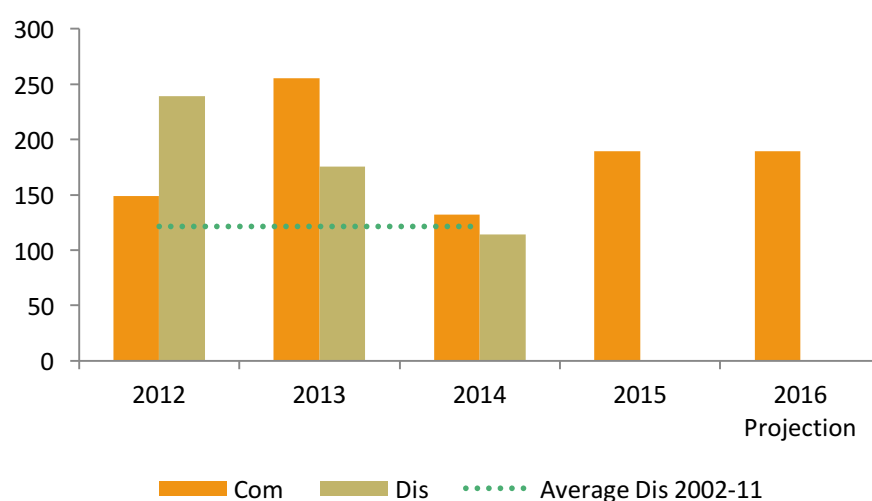
Asian Development Bank (ADB)<sup>29</sup> pledged USD 1.2 billion for 2012-16<sup>30</sup> in Tokyo Conference on Afghanistan. It disbursed USD 536.48 million in development assistance for 2012-14, making it the 5th largest donor to Afghanistan in terms of disbursement volume. ADB's ODA projections include a commitment of USD 189.2 million for 2015 with a similar amount projected for 2016.

ADB's assistance to Afghanistan is governed by an Interim Country Partnership Strategy (CPS 2014-15), a negotiated document between GoIRA and ADB.<sup>31</sup> ADB's portfolio in Afghanistan also includes the management of Afghanistan Infrastructure Trust Fund (AITF), a multi-donor fund established in 2010 for financing infrastructure projects.

#### ODA Commitment and disbursement

ADB disbursed USD 114.26 million of ODA in the form of grant in 2014, a 35% decrease from their 2013 disbursement (USD 175.61 million) and an even greater decrease of 52% from their 2012 disbursement (USD 238.8 million).

#### ODA Commitment and disbursement, 2002-14, (USD Million)



29. Afghanistan is a founding member of the ADB, a multilateral finance institution established in 1966.

30. The presented data is based on Afghanistan's fiscal year of 21- 20 December.

31. A new CPS is under discussion, covering 2015-2020 period.

### ODA Disbursement by modality

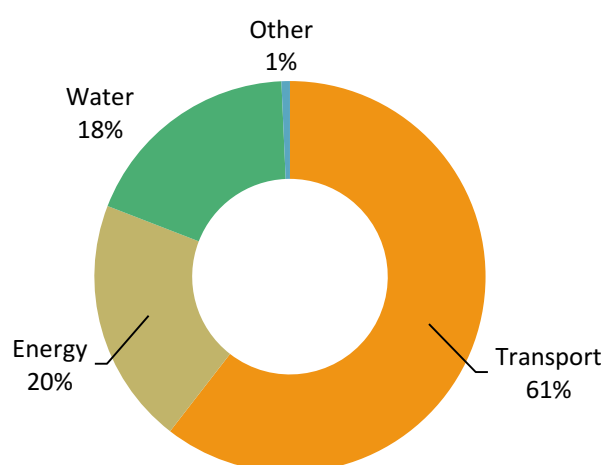
ADB's assistance is mainly in the form of grant and entirely channeled through the on-budget mechanism. Considering that ADB's assistance is provided through on-budget modality, it is considered fully aligned with the government's priorities.

### Sector allocation

ADB's main sector of engagement is infrastructure and natural resources pillar of ANDS, with interventions in the transport, energy, and water sectors. By engaging in these sectors, ADB aims to increase movement of goods and services; to provide sustainable and reliable grid-connected power supply; and to improve water use for livelihood purposes; i.e. irrigation infrastructure rehabilitation.

An analysis of disbursement for these sectors between 2012-2014 reveals that ADB provided 320.10 or 60.50 % of its total ODA for that period to the transport sector followed by energy sector with USD 107.85 or 20 % and water sector with USD 97.45 or 18.42 %.

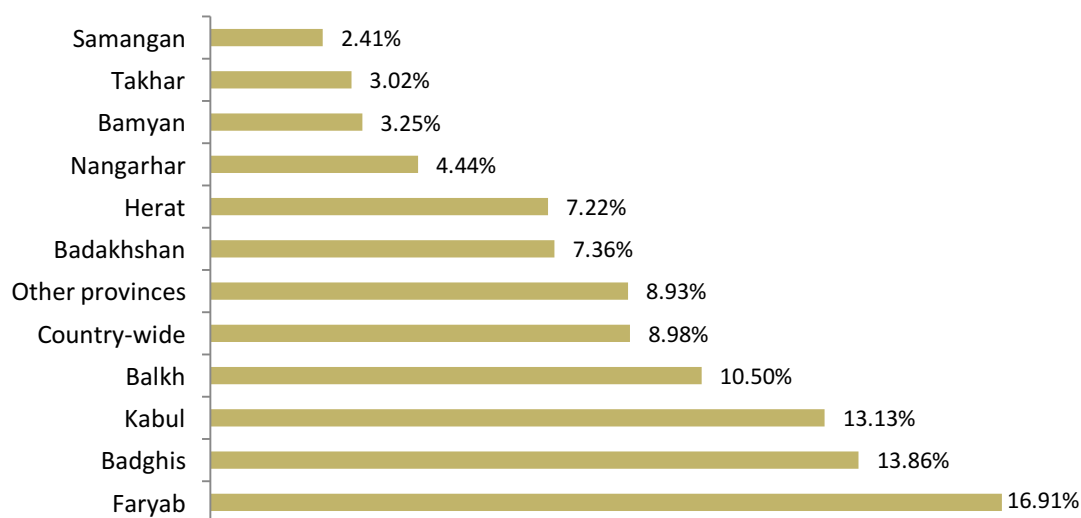
ODA Disbursements by ANDS sector, 2012-14, (%)



### Provincial allocation

Only 78% or USD 463.85 million of total ODA disbursed between 2012-14 is reported against provinces. Out of the reported data, ADB's largest disbursement was reported for Faryab, Badghis, and Kabul provinces. About 9 % of ADB's ODA was dis categorized to have nation-wide focus.

### Top recipient provinces by disbursement, 2012-14 (%)



### Major projects by disbursement, 2012-14

Project	USD, Million
Afghanistan Rural Access Project	125
System Enhancement for Health (SEHAT)	100
Second Skills Development Project	55
Pension Admin and Safety Net	12.5
Development Policy Program Series	50
Financial Sector Rapid Response Project	6.7
Afghanistan Access to Finance	50

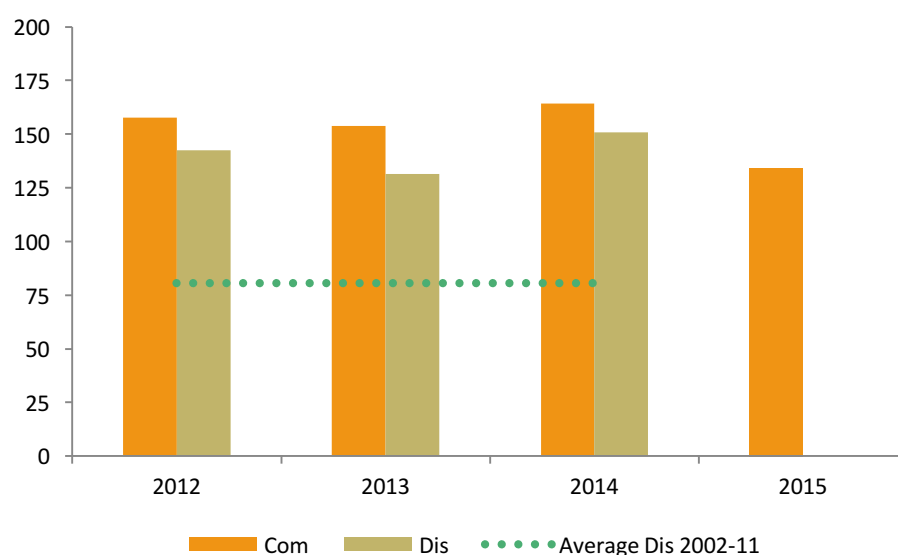
## Australia

Australia, the 8<sup>th</sup> largest donor to Afghanistan in volume of ODA disbursement, pledged to increase its annual development assistance to USD 231.91<sup>32</sup> by 2015-16<sup>33</sup> in the Tokyo Conference on Afghanistan. Australia and the GoIRA signed a Comprehensive Long-term Partnership Agreement in 2012, which identifies priorities of engagement in areas of security, development, trade and investment, humanitarian, culture and political affairs.

### ODA Commitment and disbursements

Australia disbursed annually an average of USD 80.60 million in 2002-11. Its aid disbursement for 2014 was USD 150.78 million, a 15 % increase from their 2013 disbursement of USD 131.46 million and also a 5.8 % decrease from its 2012 disbursement of USD 142.47 million.

### ODA Commitment and disbursement, 2002-15, (USD Million)



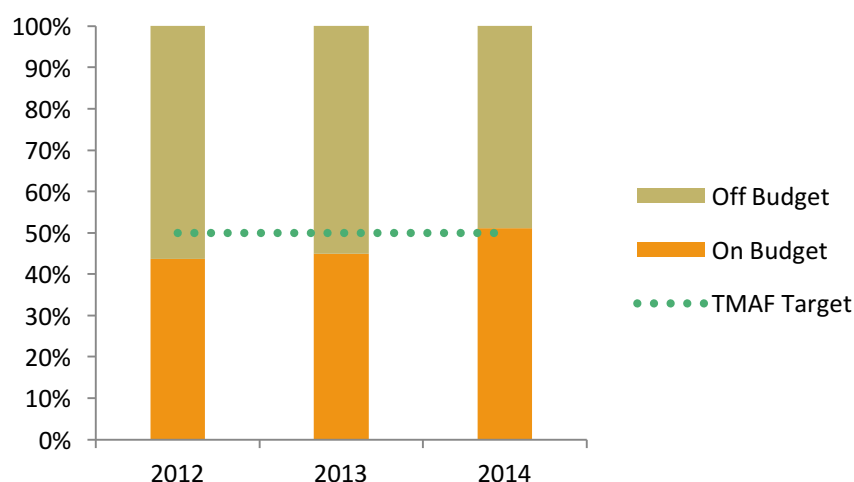
### Aid disbursement by modality

Australia's assistance is channeled through on and off-budget mechanisms. Only in 2014, with an increase in its on-budget contribution from a 43.63 %, or USD 62.1 million in 2012 to 52.87 % or USD 77.1 million in 2014, Australia met TMAF's commitment of channeling at least 50 % of its total ODA through the government's budget. In FY 2012-14, total Australia's on-budget contribution was USD 198.4 million, which was all channeled through the ARTF.

<sup>32</sup> The actual pledge was made in Australian Dollars.

<sup>33</sup> The data is presented based on Afghanistan's fiscal year of 21 December to 20 December.

### ODA distribution by modality, 2012-14, (%)

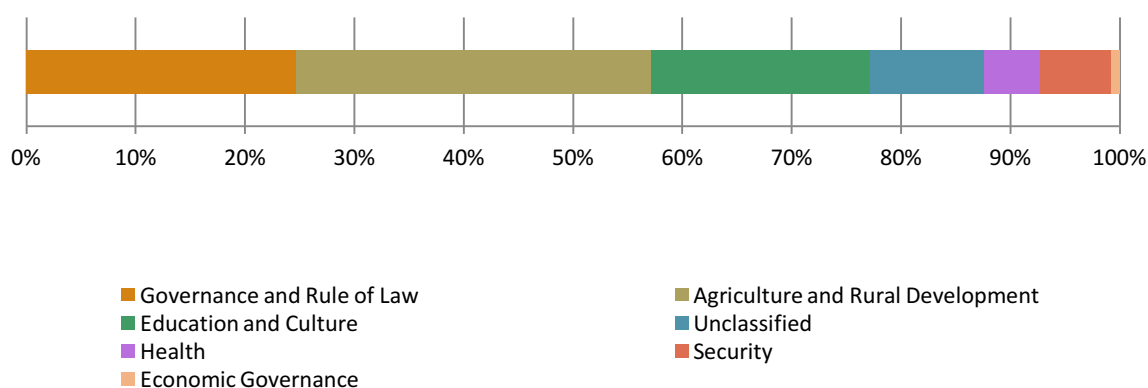


### Sector Allocation

Australia's main sectors of engagement in Afghanistan are governance and rule of law; agriculture and rural development; education and culture, and health. The major focus of Australia's assistance is to enhance service delivery in health, governance and rule of law and education; to improve livelihoods for vulnerable communities; to support effective public financial management and economic reforms. Australia's assistance also supports the security sector, with a primary emphasis on the national security and police sub-sectors.

Australia reported only 87.6 % of its aggregate disbursement data against ANDS sectors, and 77% or USD 188 million of its ODA went to the top three sectors of agriculture and rural development, governance and rule of law, and education and culture, each receiving 32%, 25% and 20% respectively. It is important to note that 38% of Australia's total assistance is channeled through ARTF and not earmarked for a specific sector of ANDS.

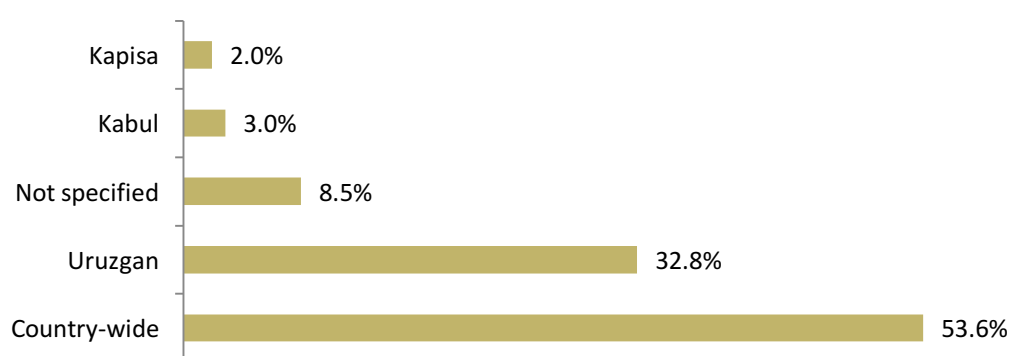
### ODA Disbursements by ANDS sector, 2012-14, (%)



### Provincial allocation

Australia's data for geographic (provincial) disbursement stands at 46% of its total ODA disbursed. Out of the reported data, Australia's largest disbursement was reported for Uruzgan province, which received a considerable 33% (USD 74.32 million). Kabul province, the next biggest beneficiary, received a mere fraction 3% (US 6.81 million) of Australia's assistance. Kapisa, Parwan and Khost received 2% (USD 4.6 million) and 8.5% (USD 19.2 million) the total ODA is not specified. Around 54% (USD 121.26 million) of Australia's assistance is categorized to have nation-wide focus.

### Top ODA provincial recipient by disbursement, 2012-14, %



### Major projects by volume of disbursement, 2012-14

Project	USD, Million
Children of Uruzgan (Education and Health	24
Humanitarian Action in Afghanistan (WFP)	19
Australia Initiated - DAFA Phase III	18
Uruzgan Rural Access Program 2012-16	15
Humanitarian Action in Afghanistan (Support to Mine Action)	15
Development Assistance Facility for Afghanistan II	14.0
Contribution to ACIAR Afghanistan Agricultural Research Portfolio	12.0
Electoral Support - UNDP ELECT II	9.6
Support to Uruzgan Small Project Facility	9.0
Elimination of Violence Against Women	8.0

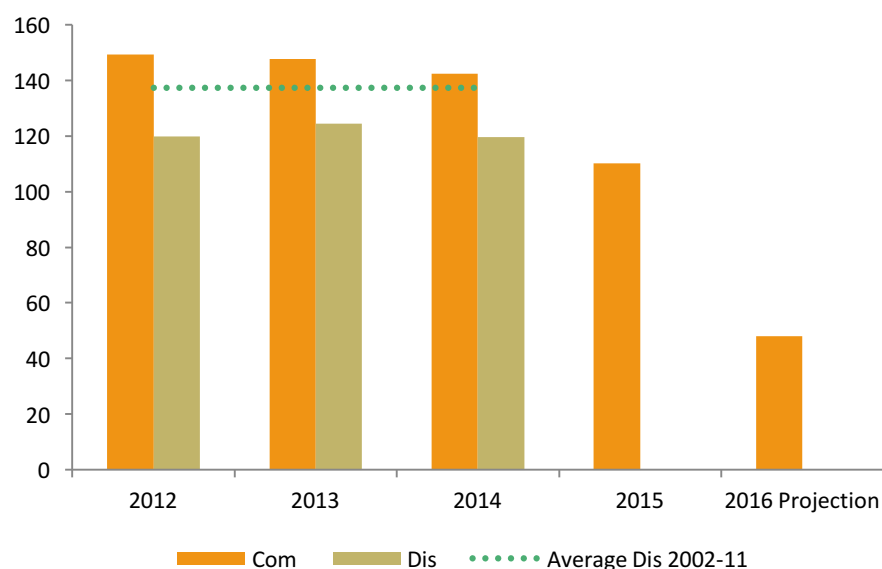
## Canada

Canada, the 10<sup>th</sup> largest donor to Afghanistan in terms of total volume of ODA disbursed in 2012-14<sup>34</sup>, pledged 227 million Canadian dollars for the period of 2014-17. Canada committed USD 110.2 million for 2015, with a considerably lower projection of USD 48 million for 2016.

### ODA Commitments and disbursements

Canada disbursed USD 119.7 million of ODA in 2014, a 4% decrease from its 2013 disbursement of USD 124 million. Canada's annual disbursement in 2012-14 was lower than that average disbursement of USD 137 million observed in 2002-11.

#### ODA Commitment and disbursement, 2012-15, (USD Million)



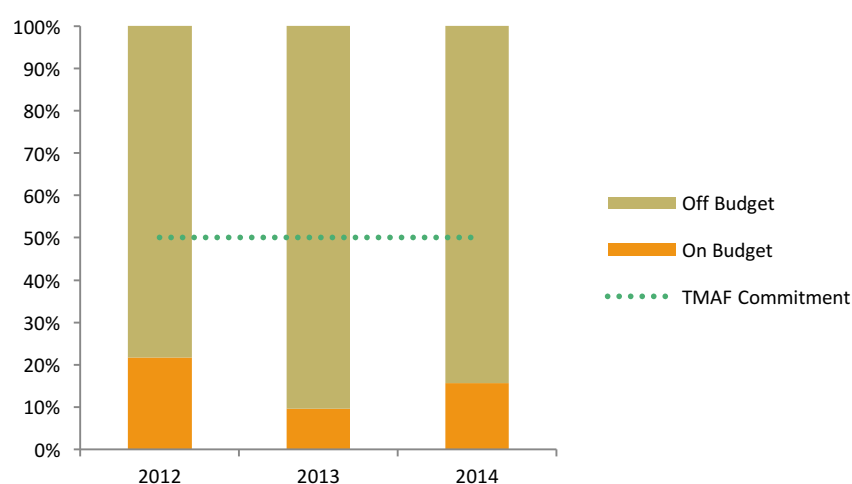
### ODA distribution by modality

Canada's assistance is channeled through on and off-budget mechanisms. Its on-budget contribution is entirely (100%) spent through the Afghanistan Reconstruction Trust Fund (ARTF), a multi-donor fund administered by the World Bank aimed to support national budget and priority national investment projects.

In 2014, Canada contributed 20% or USD 19 million of its ODA to on-budget compared to 10% or USD 12 million in 2013 and 22% or USD 26 million in 2012. At such figures, Canada did not meet its commitment for channeling 50% of its ODA through the on-budget in the past three years.

<sup>34</sup> The presented data is based on Afghanistan's fiscal year of 21- 20 December.

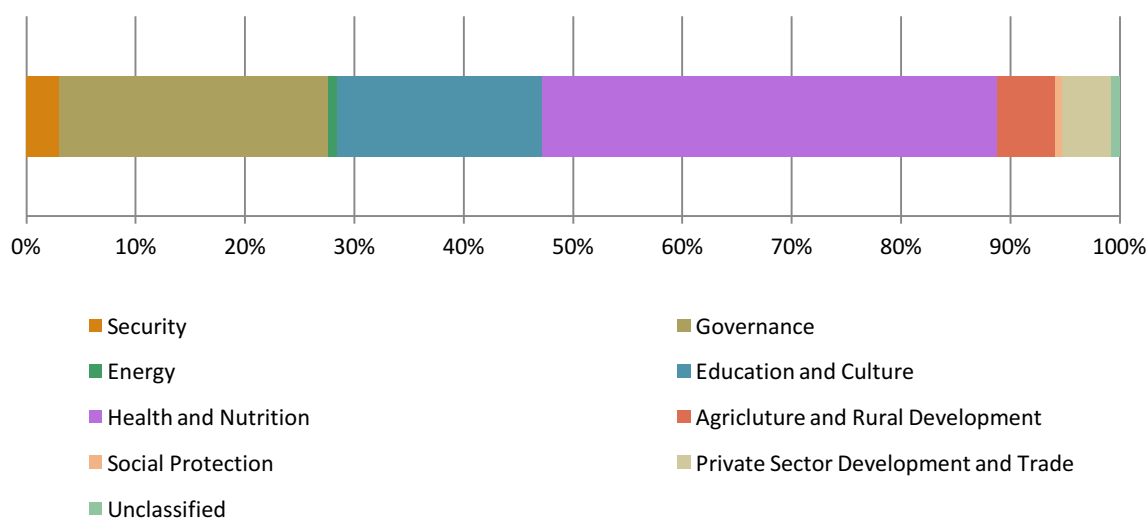
### Aid distribution by modality, 2012-14, (%)



### Sector allocation

About 84.40 % of Canada's sector allocation for the period of 2012-14 can be traced. Out of this data, Canada's disbursed 86 percent of its ODA to three sectors of ANDS -- health (USD 127.99 million or 41.68 percent), education and culture (USD 75 million, 24.43 percent) and governance and public administration reform and human rights (USD 52.78 million, 17.18 percent). Private sector development, agriculture, and rural development received 4.45 percent and 5.34 percent of total ODA in 2012-14.

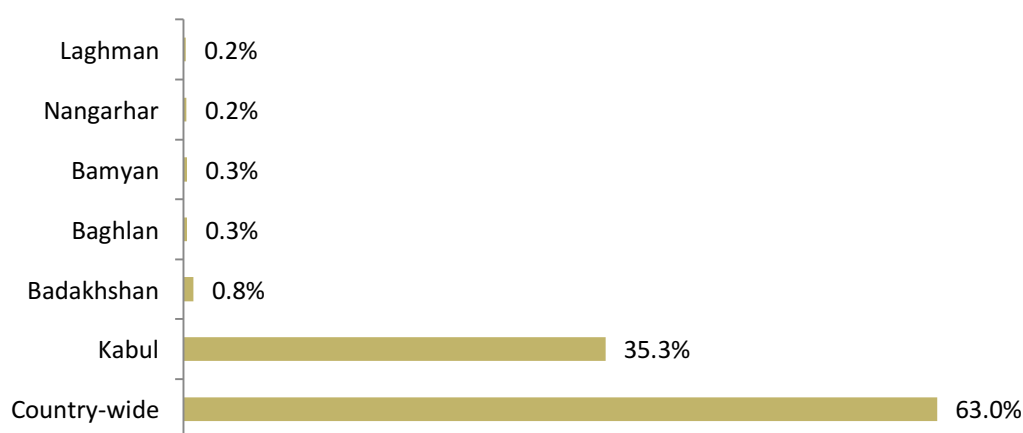
### Disbursement by ANDS sector, 2012-14, (%)



### Provincial allocation

Canada's data for geographic disbursement remain discrepant<sup>35</sup>. Only 80 % of the total ODA disbursement data is reported for provinces. Out of the reported data, Canada's largest disbursement was reported for Kabul province, which received a considerable 35.26 % or USD 101.46 million. Over 62.98 % or USD 181.24 million of Canada's ODA is categorized to have nation-wide focus.

### Top recipient province by disbursement, 2012-14, (%)



### Major projects by volume of disbursement, 2012-14

Projects	USD Million
Improving Maternal, Newborn and Child Health in Afghanistan	29.3
Polio Eradication 2011-2015 - UNICEF	16.5
Global Polio Eradication Initiative (GPEI)	16.3
Integrated Alternative livelihoods Program Kandahar (IALP-K) All Phases	14.9
Peace Dividend Marketplace.	11.7
Education Quality Improvement Project	10.9
Polio Eradication 2012-2014 - World Health Organization (WHO)	10.1
Community Based Girls Education	9.1
BEACON: Increasing Access to Quality Basic Education	9.1

<sup>35</sup> Canada's data on provincial disbursement show a figure of USD 287.7 million.

## European Union

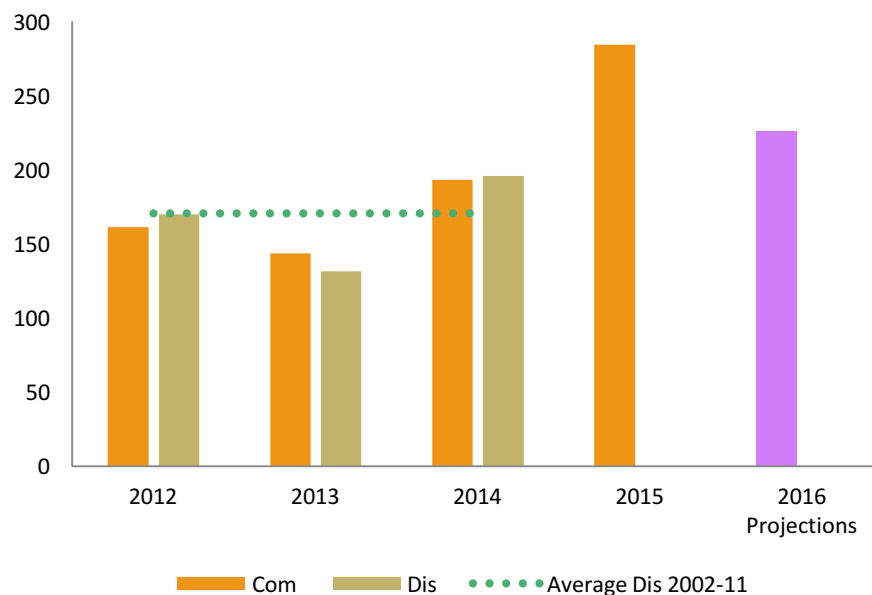
The European Union (EU), the sixth largest donor to Afghanistan in total volume disbursement for the period of 2012-14<sup>36</sup>, pledged USD 1.8 billion for 2012-17 in the Tokyo Conference on Afghanistan.

A number of high-level strategic documents define objectives and scope of Afghanistan-EU partnership. The most recently negotiation Cooperation Agreement for Partnership and Development, aims to strengthen dialogue and cooperation between the EU and Afghanistan with a view to support peace, security and development. EU's Multi-Annual Indicative Program for 2014-2020, furthermore, outlines an overall strategic objective and sectors of EU's engagement in Afghanistan. MIP plans a resource allocation of EUR 1.4 billion for the period of 2014-2020, with an average indicative allocation of EUR 200 million per year until 2020.

### ODA Commitment and disbursement

EU on average disbursed around USD 170.54 million between 2002-11. Its disbursement in 2014 was around USD 195.93 million, which is 49.2% increase from USD 131.32 million disbursement made in 2013 and 15.30 % increase from 2012 disbursement of USD 169.95 million.

#### ODA Commitment and disbursement, 2002-14, (USD Million)



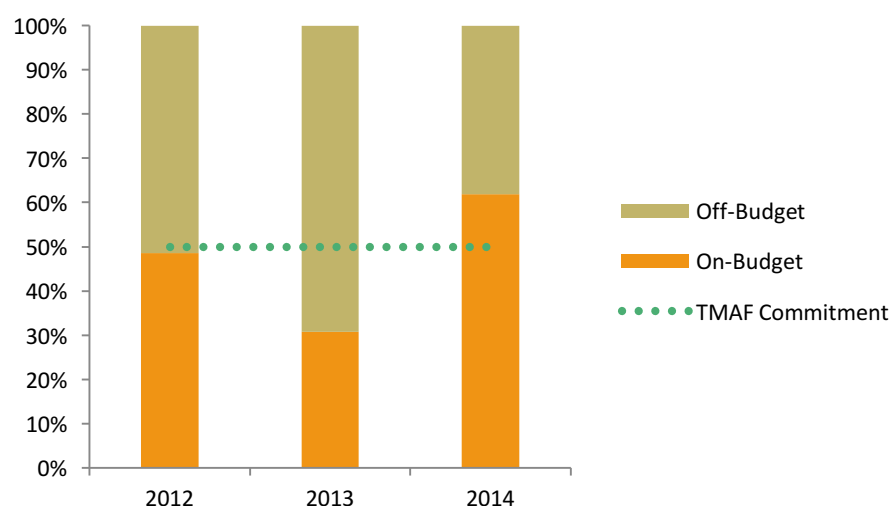
### Aid modality

The EU's ODA resource to Afghanistan is channeled through both on-budget and off-budget mechanisms. In 2014, 61.87 % or USD 121.2 million of EU's total ODA was channeled through on-budget mechanism, higher than the 50 % on-budget target agreed in Tokyo

<sup>36</sup> The presented data is based on Afghanistan's fiscal year of 21- 20 December.

Conference. EU's on-budget contribution in 2013 and 2012 were 30.8 % or USD 40.5 million and 48.6% or USD 82.5 million respectively. With no bi-lateral contribution, EU channels all of its bi-lateral assistance through ARTF (USD 150 million) and LoTFA (USD 93.7 million) during 2012-14.

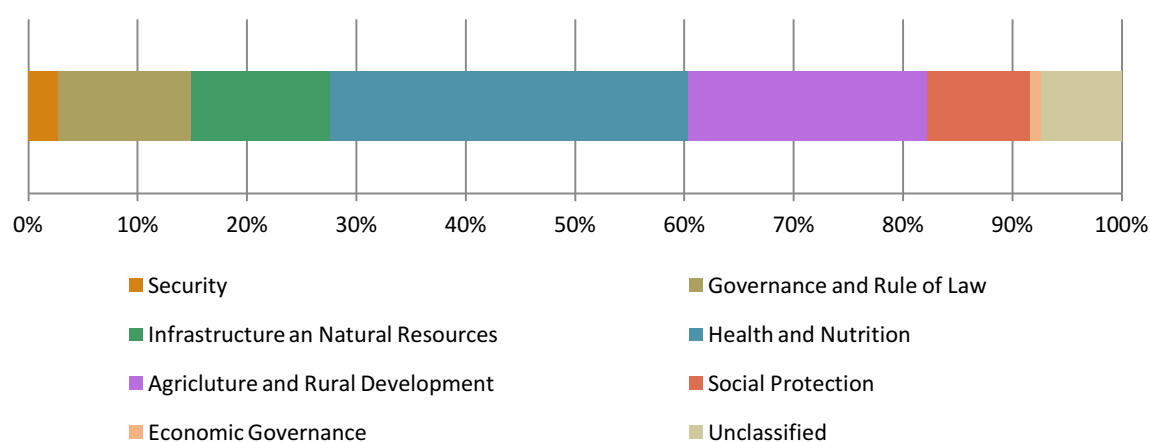
#### ODA Disbursement by modality, 2012-14 (%)



#### Sector allocation

EU's disbursement data based on ANDS sector is incomplete. Only 45 % of total ODA disbursed in 2012-14 is reported against ANDS sectors. EU's largest contribution was made to: health (32.72 %, USD 82.7 million); agriculture and rural development (21.83 %, USD 55.19 million); infrastructure and natural resources (12.78 %, USD 32.30 million); governance and rule of law (12.08 %, USD 30.54 million).

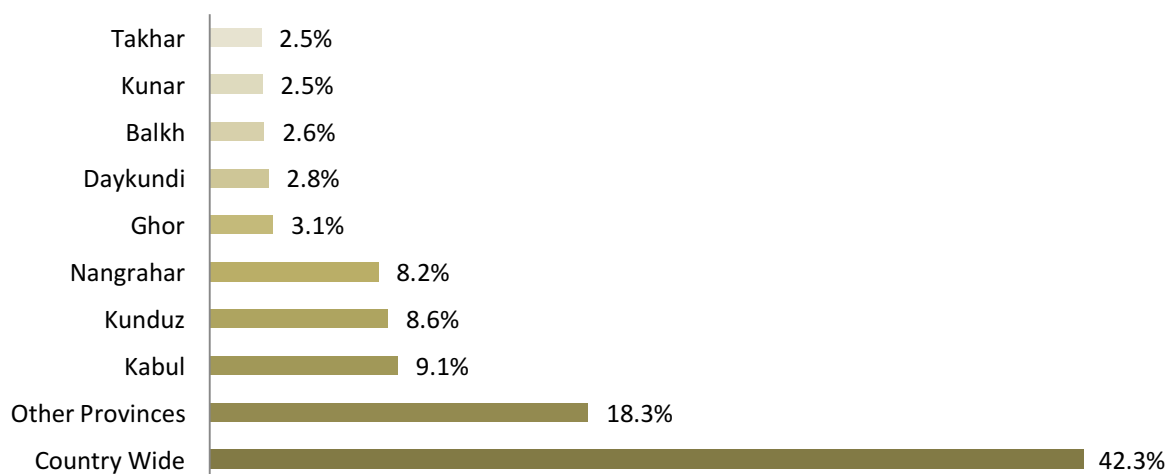
#### ODA Disbursements by ANDS sector, 2012-14 (%)



### Provincial allocation

Provincial ODA disbursement data for 2012-14 is also incomplete. Only 54 % of total ODA disbursed in 2012-14 is reported against provinces. Out of this reported data, EU's largest disbursement was reported for country wide initiatives, followed by Kabul (9.10 %), Kunduz (8.62 %), Nangrahar (8.16 %), and other provinces disbursement summed to 18.33 % of total ODA.

### Top recipient provinces by disbursement, 2012-14 (%)



### Major projects by volume of disbursement, 2012-14

Project	USD Million
Enhancing Legal and Electoral Capacity for Tomorrow - Phase 2 (ELECT II)	13.1
Addendum No 2 to Contribution Agreement No 'IFS-RRM/2012/280155 managed under contract	13.02
Provision of Basic Package of Health Services (BPHS) in Nangrahar	7.7
Support to "National Area Based Development Program (NABDP)	7.55
Civilian Police Capacity Building in Afghanistan	6.85
Regional Program in support of Afghan refugees in Iran and Pakistan, and of returnees in Afghanistan 2011-2013	5.7
Settlement upgrading and reintegration of Returnees and IDPs (Internally Displaced Persons)	5.7
Capacity Development of Afghanistan Railway Authority Tranche 4	5.2
Provision of Basic Package of Health Services (BPHS) in Ghor	4.8
Provision of Basic Package of Health Services (BPHS) in Kunduz	4.9

## Germany<sup>37</sup>

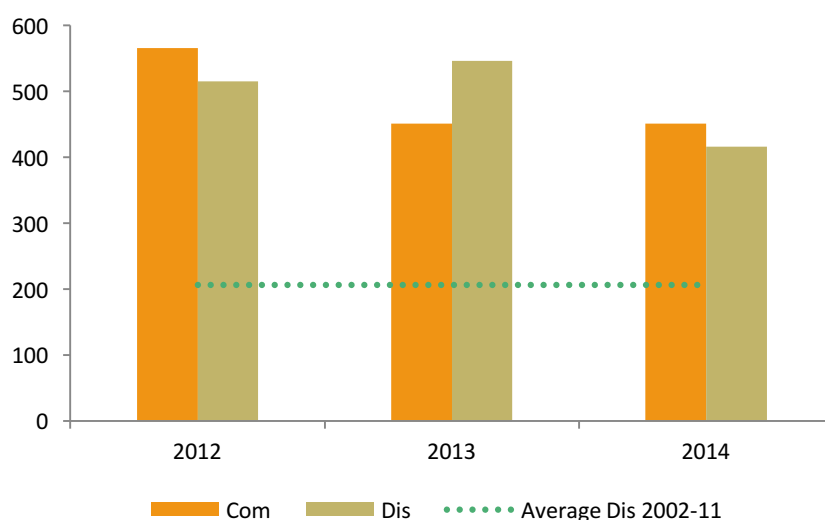
Germany, the third largest donor in terms of total volume of aid disbursed in 2012-14<sup>38</sup>, pledged to sustain its development assistance at EUR 430 million per year until 2015. Germany provided USD 1.48 billion in development assistance to Afghanistan for FY 2012-14.

The governments of Afghanistan and Germany signed a long-term cooperation agreement, which identifies priorities of development cooperation in the areas of sustainable economic development, education, energy, water and good governance. Furthermore, the two governments, each year, negotiate specific programs and resource allocations in the sectors that Germany is engaged in Afghanistan.

### ODA Commitments and disbursements

Germany disbursed USD 416 million of ODA in 2014, a 24% decrease from its 2013 disbursement of USD 546 million, and a 19 % decrease from its 2012 disbursement of USD 515 million. Despite a decrease in its annual disbursement, Germany's 2014 disbursement is still higher than the average disbursement (2002-11) of USD 206 million.

#### ODA Commitment and disbursement, 2002-14, (USD Million)



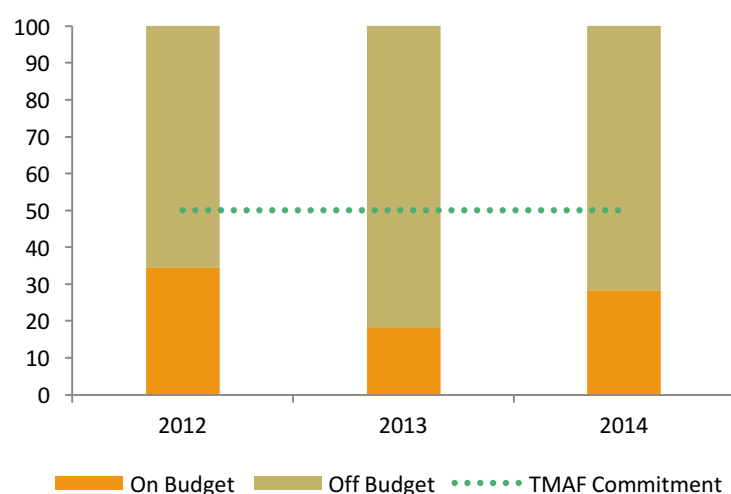
### ODA distribution by modality

Germany channels its resources through on and off-budget mechanisms. Its on-budget disbursement has been fluctuating between 18-34 % in past three years. With these rates, Germany did not meet Tokyo's commitment for channeling 50 % or more of its total resources through the on-budget mechanism.

<sup>37</sup> The data presented in profile is different from ODA data used in the DCR chapters. Germany provided complete data later for the profile, which was not captured on time in the DAD for DCR analysis.

<sup>38</sup> The data in this profile is based on Afghanistan's fiscal year of 21- 20 December.

## ODA disbursement by modality, FY 2012-14, (%)

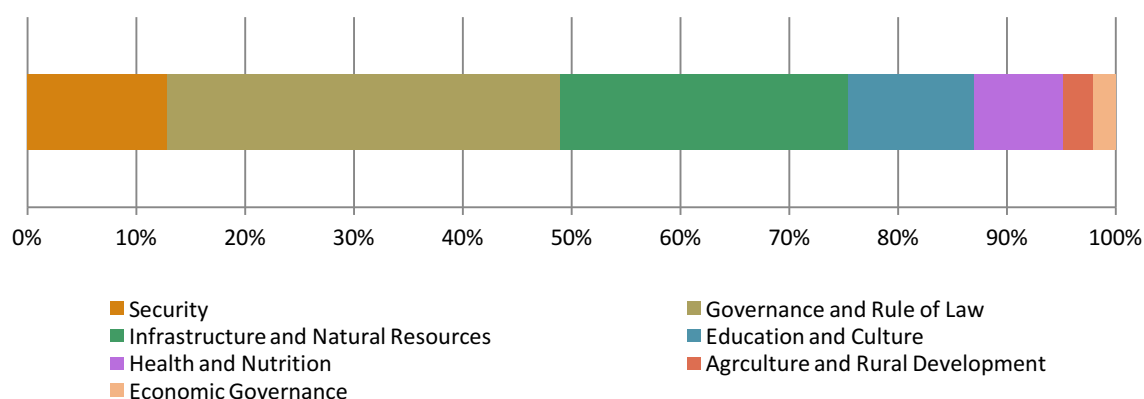


With no direct bilateral support, Germany provides all of its on-budget support to ARTF, LoTFA and APRP trust funds. Germany contributed 57 % to ARTF, 38 % to LoTFA and 5 % to APRP during 2012-14.

## Sector allocation

Sector distribution data is incomplete, with 54.56 % of the total ODA disbursement in 2012-14 is reported based on ANDS sectors.<sup>39</sup> Out of the reported data, Germany disbursed the largest amount of its resources to: governance and rule of law (36.08 %, USD 290.79 million); infrastructure and natural resources (26.48 %, USD 213.43 million); security (12.87 %, 103.73 million); education and culture (11.57 %, USD 93.21 million) and health and nutrition (8.38%, 65.49 million) sub-pillars of ANDS.

## ODA Disbursements by ANDS sector, 2012-14, (%)

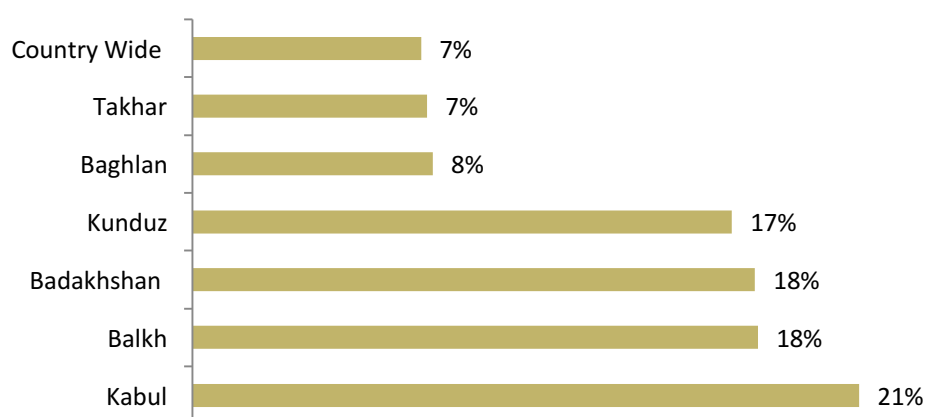


<sup>39</sup> Germany's sector allocation data stands at USD 805.89 million.

### Provincial allocation

Provincial distribution data is also incomplete. Only 58 % of total ODA disbursement is reported based on geographical location.<sup>40</sup> Germany's largest disbursement was reported for Badakhshan, Baghlan, Balkh, Kabul, Kunduz and Takhar for 2012-14. About 4 % is disbursed in other four provinces and 7% of the assistance is nationwide.

#### Top Recipient Province by Volume of Disbursement, 2012-14, (%)



#### Major projects by volume of disbursement, FY 2012-14

- Reconstruction of Radio and Television building in 33 Provinces
- Education Infrastructure Development
- Development projects for 11 North and West border provinces
- Construction of Building and Purchase Equipment for Nangarhar University (east zone)
- Rehabilitation, registration and maintenance of historical monuments in center and provinces
- Construction of 11 Basic and 2 Comprehensive Health Centers at the boarder provinces.
- Development projects for 11 North and west border provinces.
- Agriculture Development in border district
- SDP in border provinces (MRRD)
- Water supply project for center of Parwan province
- Skills Development Program.
- Small Development Projects for 11 North and West Border Provinces

<sup>40</sup> Only USD 796.83 million of total ODA for FY 2012-14 is reported for provinces.

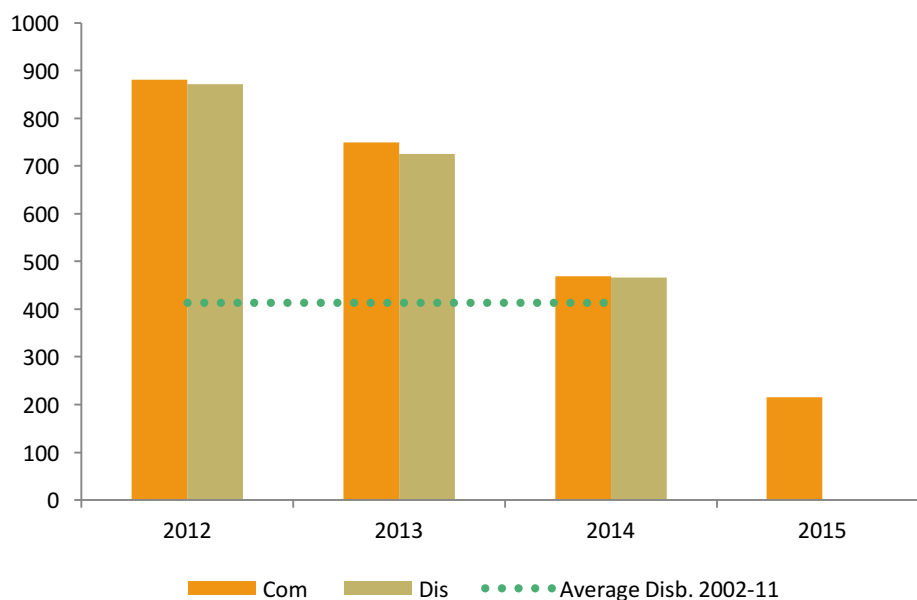
## Japan

Japan the second largest donor to Afghanistan after the US in total volume of ODA disbursement during 2012-14<sup>41</sup>, pledged USD 3.0 billion in Tokyo Conference on Afghanistan. Japan disbursed a total of USD 2.063 billions in development assistance in 2012-14 and its commitment for 2015 is USD 215 million. The projection for 2016 is not available.

### ODA Commitments and disbursements

Between 2002-11, Japan disbursed on average around USD 413.4 million per year. Japan's disbursement in the recent years has increased compared to its average annual disbursement. Japan disbursed USD 466.99 million in 2014, a decrease from its 2013 disbursement of USD 725.59 million and its 2012 disbursement of USD 870.83 million.

### ODA Commitment and disbursement, 2002-14, (USD Million)

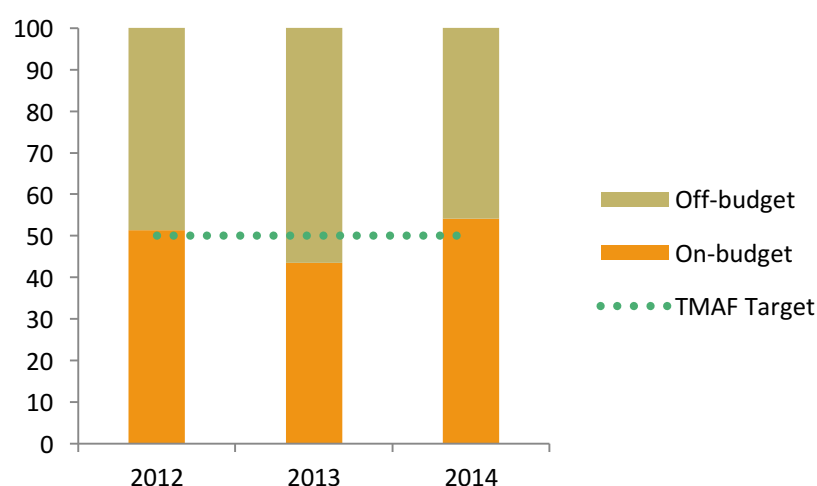


### ODA disbursement by modality

Japan is channeling its resources through both on-budget and off-budget modalities. In 2014, Japan disbursed more than 54 % of its total ODA through the on-budget, meeting the international commitment made in Tokyo for on-budget support. Similarly, Japan met this commitment in 2012 with channeling 51 % of its total resources through on-budget.

<sup>41</sup> The reported data in the profile is based on the Afghan fiscal year of 21 December to 20 December.

## ODA disbursement by modality, 2012-14 (%)

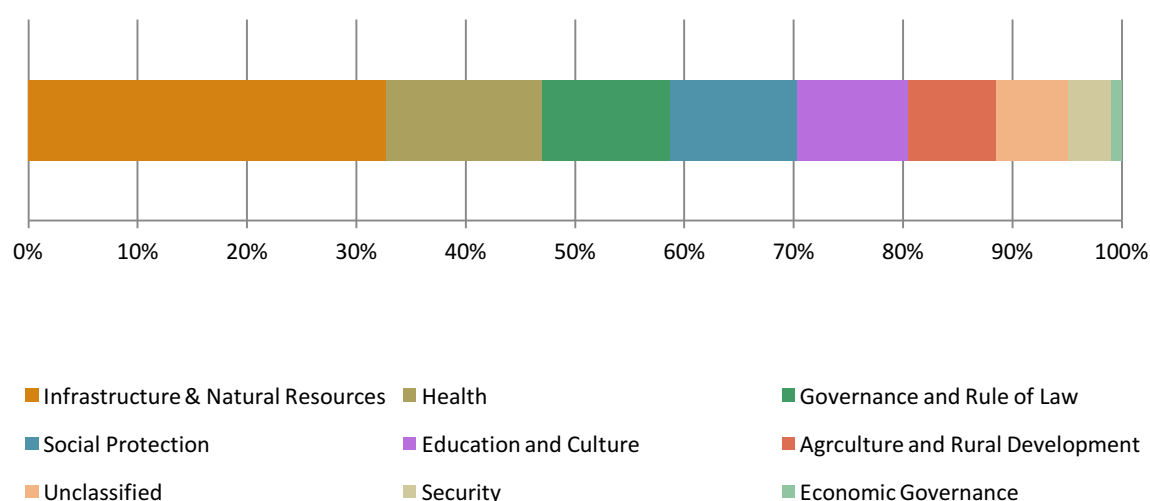


About 9 % of Japan's on-budget contribution is bilateral support while the rest goes to trust funds, with 53.68 % of the total on-budget contribution made to LoTFA followed by 33.70 % to ARTF, 10.42 % to AITF and only 2.19 % to APRP.

## Sector Allocation

For 2012-14, Japan reported only 46 % of the total ODA disbursed against ANDS sector.<sup>42</sup> Of this reported amount, infrastructure and natural resources received the highest amount, USD 324.2 million or 33 % of Japan's ODA followed by health, USD 141.5 million or 14 %, governance and rule of law, USD 116.31 million or 12 % and social protection USD 115.02 or 12 % and education and culture USD 100.63 or 10 %.

## ODA Disbursements by ANDS sector, 2012-14, (USD Million)

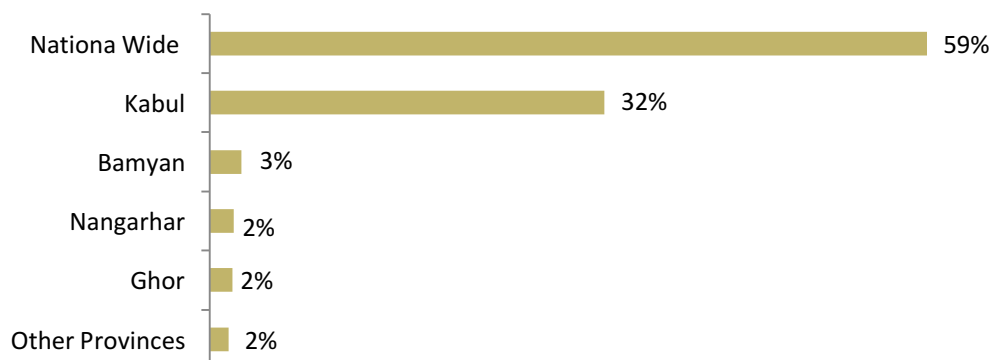


<sup>42</sup> Japan's data on sector allocation stands at USD991.03 million.

## Provincial Allocation

Data provided for geographic disbursement is incomplete with only USD 955.96 or 44.5% of Japan's total disbursement for 2012-14 was reported. Of this reported data, national wide projects and programs received the highest amount USD 561 million or 59 % followed by Kabul with USD 308.96 or 32 %. Bamyan, Daykundi, Ghor, and Nangarhar provinces received the remaining 9 % of the report total ODA.

### Disbursement by province, 2012-14, (%)



### Major projects by volume of commitment, 2012-14

Project Title	USD Million
Non-Project Grant Aid (NPGA)	91
Promotion of Kabul Metropolitan Area Development	73
Aid to Afghanistan to Support IDPs	69
Assistance to Protracted Relief and Recovery Operation, Assistance to Provision of Humanitarian Air Services in Afghanistan	63
The Project for Strengthening of Security in Kabul International Airport	54
Aid to Afghanistan	45
Development of Water Supply Facilities in Dehsabz South Area	32
Improvement of East-West Arterial Road and Community Road in Kabul	28
Grant Aid for Japanese NGO's Projects	28
Infectious Diseases Prevention for Children	28

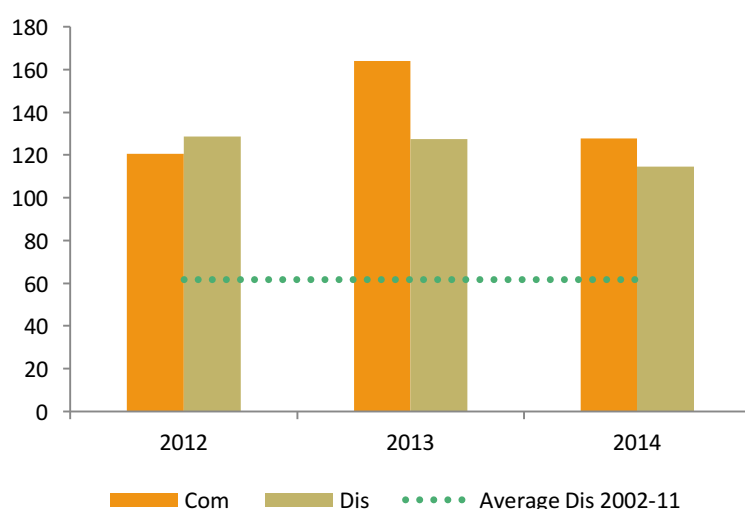
## Norway

Norway, the ninth largest donor to Afghanistan in volume of disbursement for 2012-14, pledged USD 125 million annually until 2017 in the Tokyo Conference on Afghanistan. Norway and the GoIRA have signed Agreement on Strategic Partnership (2013-17), which identifies Norway's priorities of engagement in areas of security, economic development, regional cooperation, and political support.

### ODA Commitments and disbursements

Norway disbursed USD 114.63 million of ODA in 2014, a 10.15% decrease from their 2013 disbursement or USD 127.58 million and an almost similar decrease (10.92%) from their 2012 disbursement (USD 128.68 million). Between F2002-11, Norway disbursed an average of USD 61.8 million per year.

### ODA Commitment and disbursement, 2002-14, (USD Million)



### Aid disbursement by modality

Norway's assistance is channeled through both on and off-budget mechanisms. Its on-budget contribution is mostly (91%) spent through ARTF, a multi-donor fund administered by the World Bank aimed to support national budget and priority national investment projects.

In 2014, 44% (USD 47.7 million) of ODA was channeled through on-budget compared to 40% (USD 51.2 million) in 2013 and 48% (USD 61.2 million) in 2012. At such figures, Norway did not meet Tokyo's commitment for channeling 50% of its ODA through the on-budget.

### Aid modality, 2012-14 (%)



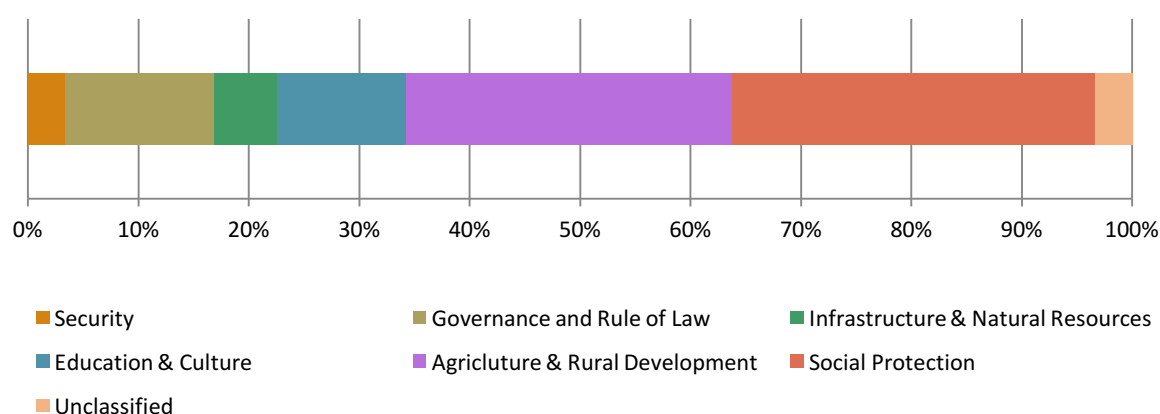
All of Norway's on-budget contribution was allocated to two trust funds between 2012-14. Norway made a total of USD 145.4 million in trust fund contributions to ARTF and a total of USD 14.8 million in trust fund contributions to LOTFA during these years.

### Sector allocation

Norway's main sectors of engagement in Afghanistan are social protection, rural development, governance and rule of law (mainly public administration and human rights), and education. Norway's interventions have also aimed to support gender and anti-corruption efforts as well.

Only 56.79 % of Norway's aggregate disbursement for 2012-14 can be traced against ANDS sectors,<sup>43</sup> out of which 62% (USD 131.3 million) went to social protection; 30 % (USD 62.27 million) to agriculture and rural development and 13 % ( USD 28.40 million) governance, rule of Law and human rights.

### ODA Disbursements by ANDS sub-sector, 2012-14, (%)

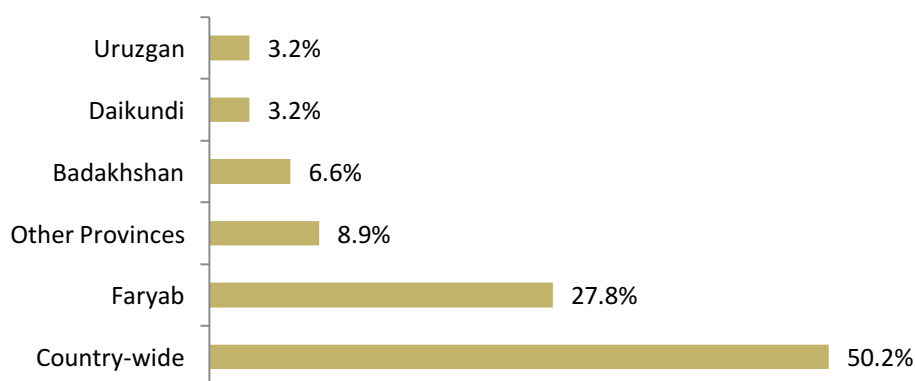


<sup>43</sup> Norway's data on sector allocation stands at \$210.60 million. This is due to lack tracing disbursement to the ARTF, which does not record Norway's allocation to a specific sector.

### Provincial allocation

Norway's data for provincial disbursement remain discrepant. Only 58% of the total ODA disbursement data is reported for provinces.<sup>4445</sup> Out of the reported data, Norway's largest disbursement was reported for Faryab, which received 27.84 % (USD 58.63 million) followed by Badakhshan receiving 6.57 % (USD 13.84 million) of total ODA. Over 50.19 % (USD 105.7 million) of Norway's assistance is categorized to have nation-wide focus.

### Top recipient provinces by disbursement, 2012-14, (%)



Note: Over 15 different provinces individually received a substantially smaller portion of Norway's assistance with amounts varying between 1-3 %.

### Major projects by disbursement, 2012-14

Project Title	USD, Million
Norway Red Cross in Afghanistan - Humanitarian multiyear cooperation agreement 2012-14	20.42
NCA Cooperation Agreement 2011-2015	14.82
UNDP ELECT II- Enhancing legal and electoral capacity for tomorrow	12.21
ACTED Faryab Integrated Rural Development	11.33
NRC-MFA Global Partnership Agreement 2013-2015	10.96
ACTED Faryab Integrated Rural Development Program II	8.4
DACCAR / Rural Development in Northern Afghanistan (Faryab, Sari Pul, Badakhshan)	7.98
UNDP ELECT II - Enhancing legal and electoral capacity for tomorrow	7.25
DACAAR - Rural Development in Faryab Province	7.22

<sup>44</sup> The provincial discrepancy is due to lack of tracing allocation of trust funds to provinces.

<sup>45</sup> Norway's data on provincial disbursement show a figure of \$210.61 million.

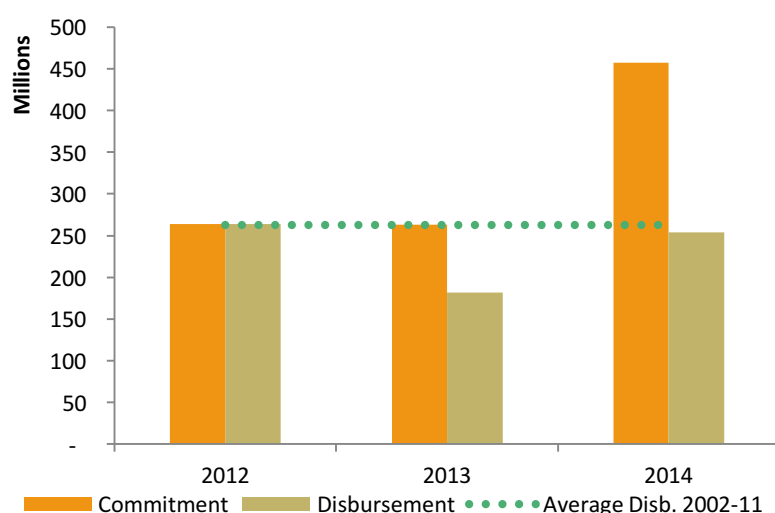
## The United Kingdom

The United Kingdom (UK), the fourth largest donor to Afghanistan in terms of disbursement volume for 2012-14<sup>46</sup>, pledged to maintain its funding level at 178 million pound per year until 2017 in Tokyo Conference on Afghanistan. Afghanistan-UK and North Ireland Endorsing Strategic Partnership Declaration, which was signed between the governments of Afghanistan and the UK in 2012, outlines priorities of engaged in the areas of political dialogue; security; governance and rule of law; economic and social development; and cultural links

### ODA Commitment and disbursement

The UK provided grants since its re-engagement in Afghanistan in 2002, with an average annual disbursement of USD 244.43 million for the period of 2002-11. The UK disbursed USD 253.9 million of ODA in 2014, an increase from its 2013 disbursement USD 182.1 million and a decrease from its 2012 disbursement of USD 261.2 million.

### ODA Commitment and disbursement, 2002-14, (USD Million)



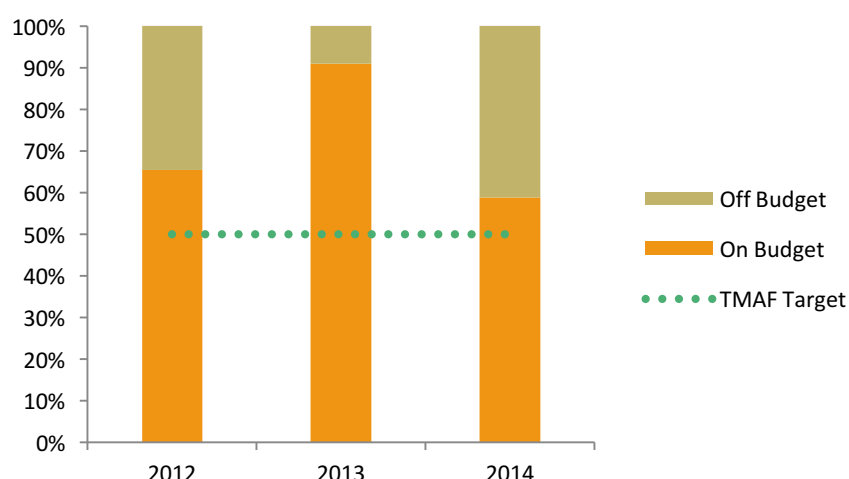
Note: The 2014 commitment is higher than the disbursed amount for the same year. This may be due to data reported based on UK's fiscal calendar.

### ODA Disbursement by modality

The UK channels its ODA through on-budget and off-budget modalities. During 2012-13, the UK disbursed USD 486.04 million, 70 % of its total ODA disbursed, through on-budget, and USD 211.13 million or 30 % of its total ODA disbursed through the off-budget. UK has successfully met Tokyo's commitment for channeling 50 % of more of its ODA through on-budget.

<sup>46</sup> The reported data in the profile is based on the Afghan fiscal year of 21 December to 20 December.

### Aid distribution by modality, 2012-14, (%)

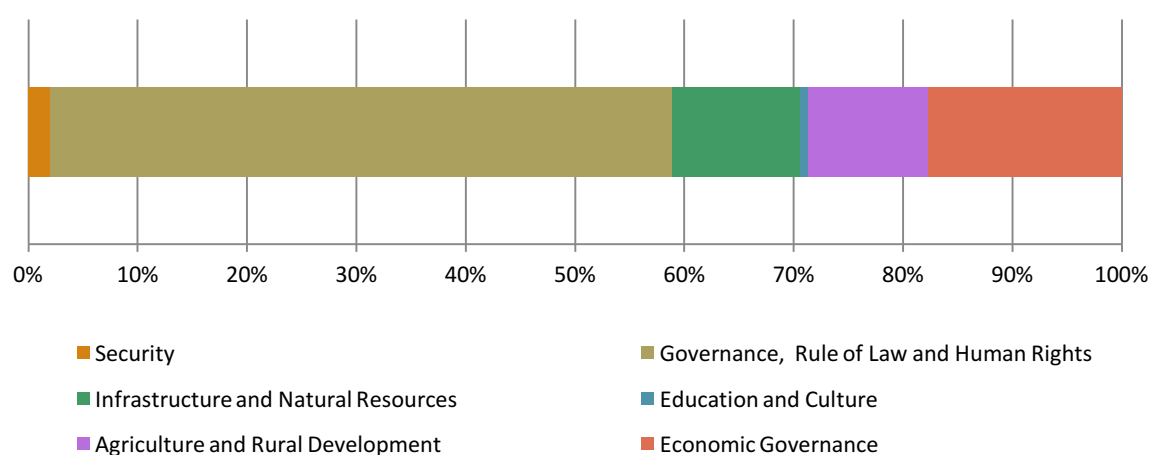


Note: UK's fiscal year is 1 April- 31 March thus the amount reported in the DAD for the off-budget is not complete and will change. As a result, on-budget disbursement makes a bigger portion of their total ODA.

### Sector allocation

UK's main sectors of engagement are security; governance, rule of law and human rights; health and nutrition; education and culture; infrastructure and natural resources; and agriculture and rural development. About 35.32% of UK's total disbursement for 2012-14 can be traced based on ANDS sector.<sup>47</sup> Of this amount the highest amount (USD 247.19 million, 56.97 %) was disbursed to the governance, rule of law and human rights sector followed by a disbursement of USD 43.67 million or 17.67 % to economic governance. Infrastructure and natural resources received USD 28.94 or 11.71 % and agriculture and rural development received USD 28.94 or 11.03 % of UK's total ODA.

### ODA Disbursements by ANDS sector, 2012-14

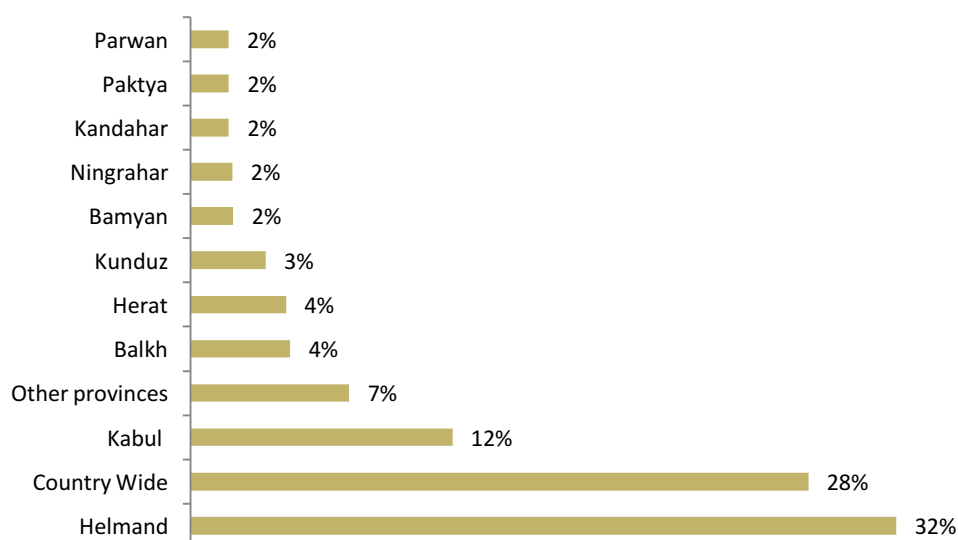


<sup>47</sup> Part of the incomplete sector data is due to fact that UK's support to trust fund is pooled and thus cannot be traced.

### Provincial allocation

UK's data for provincial disbursement (2012-14) is also incomplete with only 62 % of the total ODA disbursement can be traced for provinces. Out of the reported data, UK's largest disbursement was made to Helmand province, which received USD 69.59 million or 31.88 % of total ODA disbursed in 2012-14. Countrywide disbursement was also high, USD 60.91 million or 27.91 % of total ODA disbursed.

### ODA Disbursement by province, 2012-14, (%)



### Major projects by volume of disbursement, 2012-14

Project Title	USD, Million
Strengthening Provincial Administration and Delivery (SPAD) program	13.05
Helmand Growth Program	11.79
Road Rehabilitation and Maintenance Program (RRMP)	11.25
Strategic Support to the Ministry of Interior (SSMI)	7.748
Strengthening Civil Society in Afghanistan (Tawanmandi)	7.4
Afghanistan Investment Climate Facility	7.16
Strengthening Provincial Administration and Delivery (SPAD) program	7.15
Helmand Growth Program	4.32
Road Rehabilitation and Maintenance Program (RRMP)	4.22
Strategic Support to the Ministry of Interior (SSMI)	4.11

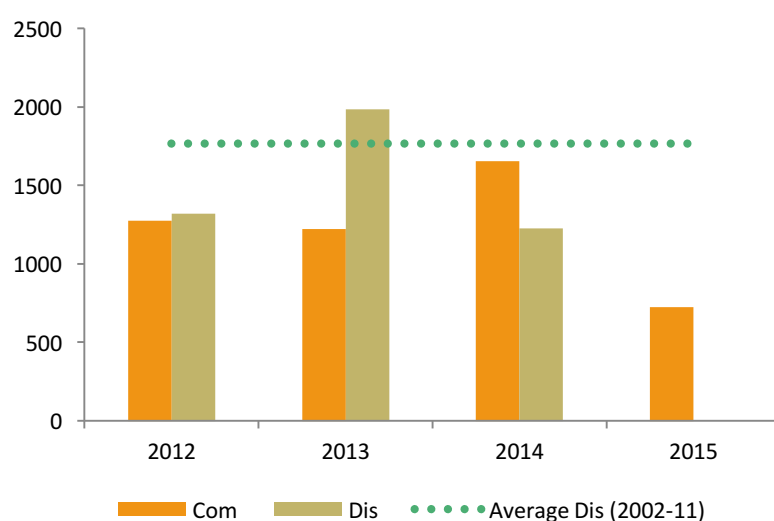
## The United States<sup>48</sup>

The United States (US), the largest donor to Afghanistan with a total disbursement amount of USD 4.53 billion ODA during 2012-14,<sup>49</sup> pledged to keep its assistance at or near the levels of the past decade through 2017 in Tokyo Conference on Afghanistan. Enduring Strategic Partnership Agreement, which was signed in 2012 between the US and the GoIRA, lays out development priorities of US's support to Afghanistan in areas of social and economic development, institutional building and governance as well as regional cooperation and security. Furthermore, in 2015, the governments of Afghanistan and USA signed a Memorandum of Understanding, New Development Partnership, which articulate new partnership of development priorities.

### ODA Commitments and disbursements

The US disbursed USD 1.22 billion of ODA in 2014, a 38.31 % decrease from its 2013 disbursement of USD 1.99 billion and also a 7.3 % decrease from its 2012 disbursement of USD 1.32 billion. The ODA disbursement in 2012 and 2014 were 25 % and 28 % lower than the annual average disbursement of USD 1.77 billion observed in between 2002-11.

#### ODA Commitment and disbursement, 2012-14 (USD Million)



### ODA disbursement by modality

The US channels its resources through on and off-budget modalities. The on-budget contribution for 2014 was USD 544.63 million or 43 % of the total ODA, a lower figure than 2013 distribution of USD 883.00 million or 44.47 % of total ODA and 2012 distribution of USD 606.40 million or 43.07 %. With these disbursement rates, US did not meet the

<sup>48</sup> This profile mainly includes ODA resources channeled through USAID and some of the data from other US funding agencies such as the Department of Agriculture, Department of States and International Narcotics and Law Enforcement Section.

<sup>49</sup> The reported data in the profile is based on the Afghan fiscal year of 21 December to 20 December.

commitment made at the Tokyo Conference for channeling 50 % or more of its resources through the on-budget.

#### ODA distribution by modality, 2012-14, (%)



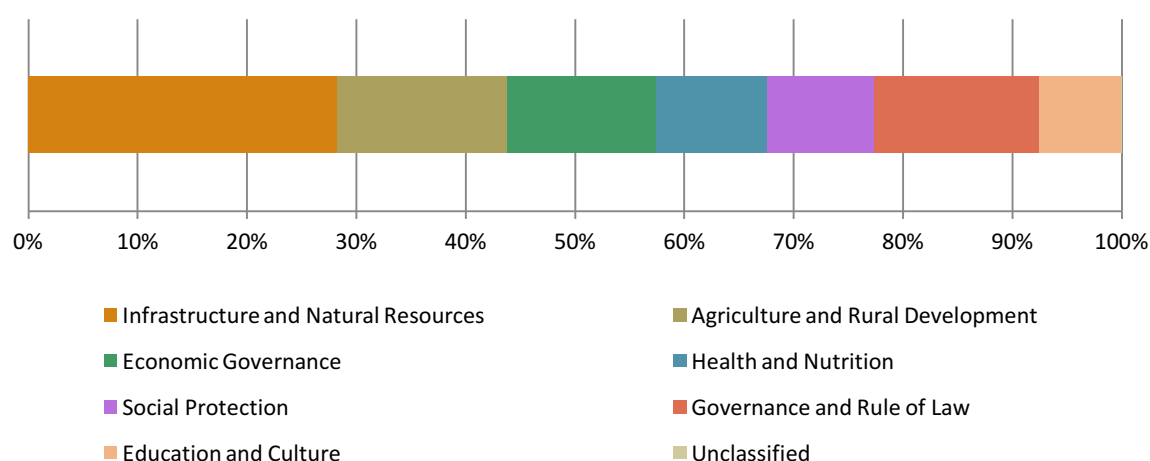
The majority, 76.98 %, of US's on-budget contributions during 2012-14 are made to trust funds with the highest percentage, 65.67%, disbursed to the ARTF followed by LoTFA (27.65 %) and AITF (6.67%). The bilateral on-budget support stayed at 7 %, 13 % and 9 % for 2012, 2013 and 2014.

#### Sector allocation

About 47.58 percent (USD 2,173 millions) of total disbursement data is reported against ANDS sector for 2012-14.<sup>50</sup> Of the reported data, US disbursed the highest amount, USD 613.715 million or 28 percent, to infrastructure and natural resources sector followed by agriculture and rural development (USD 338.252 million or 16 percent); economic governance (USD 295.81 million, 14 percent); governance, rule of law and human rights (USD 329.19 million, 15 percent); health and nutrition (USD 220.74 million, 10 percent); social protection (USD 212.59 million, 10 percent) in 2012-14.

50. Contribution made to the ARTF trust fund cannot be traced to ANDS sector. This is one reason for the incomplete data.

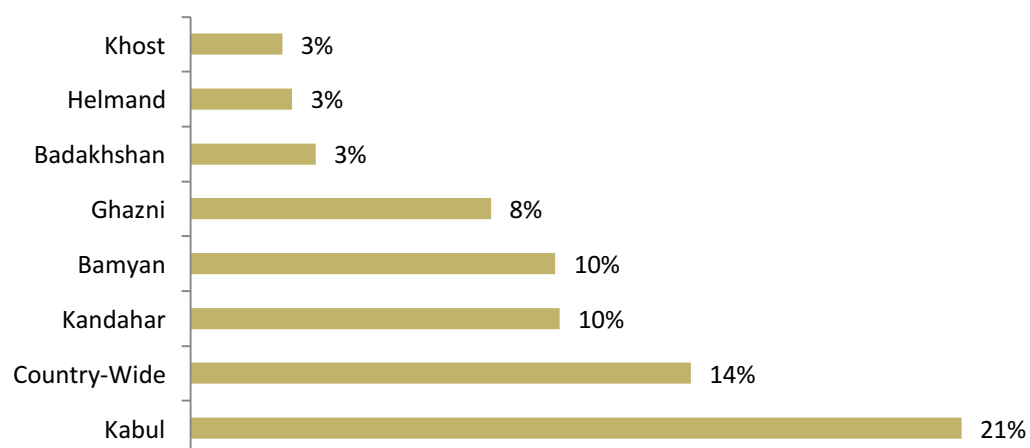
### ODA Disbursements by ANDS sector, 2012-14, (%)



### Provincial allocation

Provincial disbursement data is also incomplete - only 46% of total ODA disbursement was reported based on geographical locations. Out of this reported figure, US made the large disbursement to Kabul (21 %) followed by Kandahar (10 %) and Bamyan (10%) during 2012-14. About 14% of US's assistance was disbursed for nationwide intervention for the same period.

### ODA Disbursement by province, 2012-14, (%)



### Major projects by volume of disbursement, 2012-14 (USD Million)

Projects	USD Million
Regional Afghan Municipalities Program for Urban Population (RAMP UP) - RC EAST	147
Power Transmission Expansion and Connectivity Project (PTEC)	115

Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	75
Administration and Oversight (O&A)	67
Promoting Gender Equality in the National Priority Programs (PROMOTE)	64
Engineering Sustainability Project (ESP)	56
Enhancing Legal and Electoral Capacity for Tomorrow (ELECT)	47
Afghanistan Workforce Development Project (AWDP)	47
Regional Agricultural Development Program – Eastern Region (RADP-E-N-S-W)	43
Program Design and Learning	42

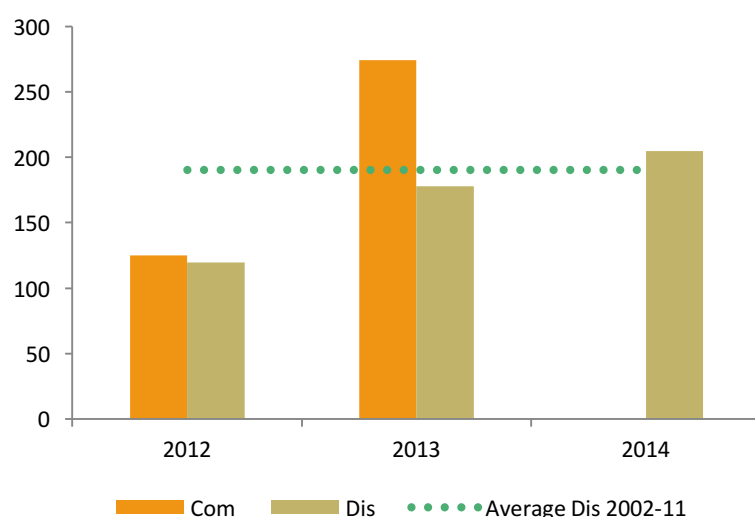
## The World Bank

The World Bank (WB), is the 7th largest donor to Afghanistan in terms of total volume of ODA disbursed in 2012-14<sup>51</sup>. The WB pledged USD 430 million for FY 2012-14<sup>52</sup> at the Tokyo Conference. WB's assistance to Afghanistan is governed by the Interim Strategy Note, which outlines support through 2014.<sup>53</sup> In addition to providing ODA to Afghanistan, the WB also administers Afghanistan's Reconstruction Trust Fund (ARTF), the largest on-budget multi-donor financing for Afghanistan's development with support in key sectors such as education, health, agriculture, rural development, infrastructure and governance.

### ODA Commitment and disbursement

The WB disbursed USD 205 million of ODA in grants in 2014,<sup>54</sup> a 15 % increase from its 2013 disbursement of USD 178 million. Its average disbursement for FY 2002-11 was USD 190.5 million.

#### ODA Commitment and disbursement, 2013-14 (USD Million)



### ODA disbursement by modality

All of the WB's assistance is channeled through on-budget mechanism, making it 100 % aligned with the government's priorities.

### Sector allocation

WB's main sectors of engagement in Afghanistan are agriculture and rural development; economic governance; health; infrastructure and natural resources.

<sup>51</sup> Data in this profile are based on the Afghan fiscal year of 21 December to 20 December.

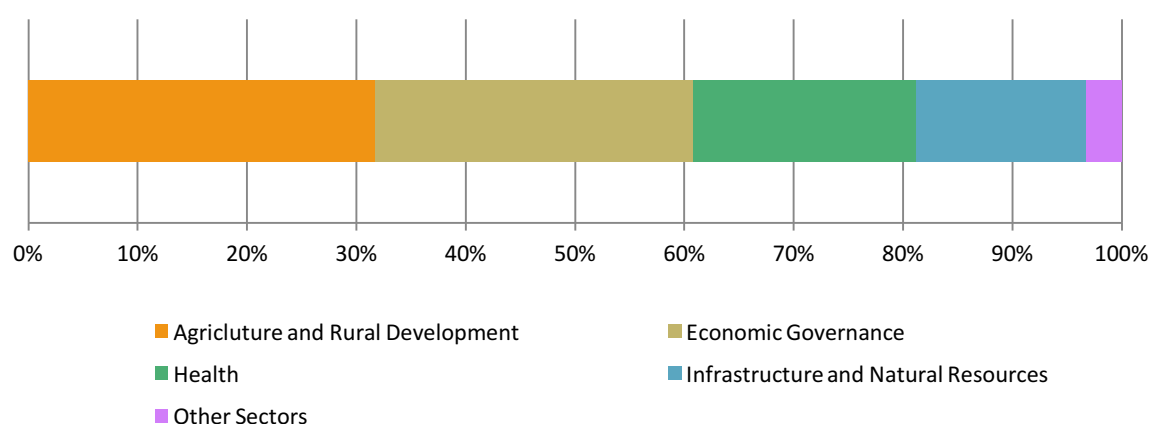
<sup>52</sup> The World Bank has not provided funding projections for FY 2015 and 16.

<sup>53</sup> The new Country Strategy Paper is under negotiation.

<sup>54</sup> These are preliminary data, which will be reconfirmed during 2015.

The WB disbursed USD 121.5 million or 32 % of total ODA to agriculture and rural development sectors followed by disbursing USD 111.3 million (29%) to economic governance; USD 78 million (20 %) to health sector; and USD 59.4 million (16%) to the infrastructure and natural resources sectors. Only USD 12.6 million (3%) was disbursed to education and social protection sectors each.

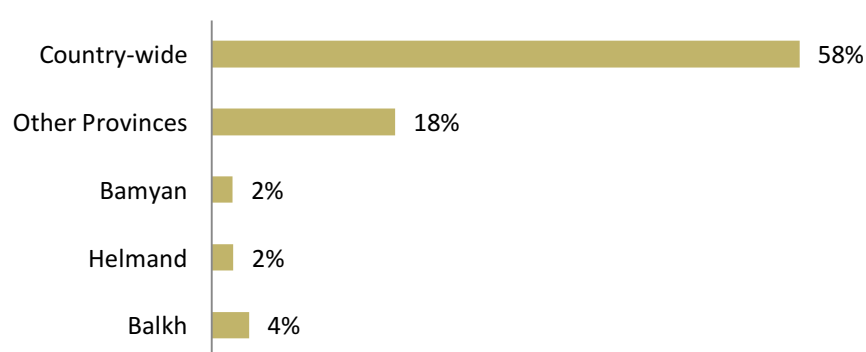
#### ODA Disbursements by ANDS sector, 2013-14, (%)



#### Provincial allocation

About 83 % of WB's total ODA disbursement of 2012-14 can be traced against the provinces. Out of the reported data, WB's disbursed USD 34.4 million or 7 % to Balkh while Helmand, and Bamyan provinces each received between 2-3 % of the Bank's total assistance. Over 29 provinces collectively received 18.1% or USD 80 million. A high percentage, 58% or USD 258 million, was allocated to nation-wide projects and programs, which benefits all provinces.

#### Top recipient provinces by volume of disbursement, 2013-14, (%)



## Major projects by volume of disbursement, FY 2013-14

Project Title	USD, Million
Afghanistan Rural Access Project	75
Development Policy Program Series	51
System Enhancement for Health (SEHAT)	49
Irrigation Restoration & Development	41
National Emergency Rural Access	31
Customs Reform & Trade Facilitation	31
Strengthening Health Activities	29
National Solidarity Program III	21
Afghanistan ICT Sector Development	21
Rural Enterprise Development Program	14

## Annexes

### Annex A -Definition of Key Terms

**Alignment:** It means external partners are aligned with NPP strategy and the underlying principles of all donor programs and projects are consistent with the NPPs stated approach. Alignment is fully achieved when donor funded projects and the National Priority Programs have common, unified and consistent objectives, plans, programs, projects and deliverables. For alignment please refer to guidance note 2.

**Bi-lateral contribution:** Bilateral contributions are those provided by a donor country directly with GoIRA. They also encompass transactions with non-governmental organizations active in development and other, internal development-related transactions.

The bilateral contributions are provided both through the national budget “on-budget” and directly contracted to third party agencies to implement projects and or deliver services “off-budget.”

**Commitments:** A firm obligation expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to GoIRA or a multilateral organization. Commitments are documented in a financing agreement (FA) between the GoIRA and the Development Partner(s). A commitment can be for one or more years. Commitments made in a single year, but is planned to be disbursed over a number of years is referred to as “**Multi-year Commitment**”.

**Development Partners (DPs):** It refers to all donor governments, their specialized agencies and organizations that are involved in development cooperation in Afghanistan, including OECD donors, South-South providers, multilateral organizations, and vertical funds.

**Disbursements:** The release of funds to or the purchase of goods or services. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. It can take several years to disburse a commitment.

**Discretionary vs. non-discretionary assistance:** Aid can be discretionary, meaning that it is left to the GoIRA to determine how best to use the funds. Alternatively, it can be non-discretionary, which means it is constrained in some way by the development partner and/or GoIRA.

**Direct Budget Support:** It means a method of financing GoIRA budget through a transfer of resources from a donor to the national treasury and managed in accordance with the GoIRA budgetary procedures. Funds transferred to the national treasury managed according to different budgetary procedures from those of the partner country, with the intention or earmarking the resources for specific uses, are therefore excluded.

**Fiscal year:** Refers to Afghan Fiscal Year, which is Dec 21 to December 22. The disbursement and commitments dates in the DAD should be reported on the actual day/month/year. The report will be generated in the Afghan FY.

**Grant:** Transfers made in cash, goods or services for which no repayment is required.

**Humanitarian Assistance:** It is assistance designed to save lives alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies. To be classified as humanitarian, aid should be consistent with the humanitarian principles of humanity, impartiality, neutrality and independence. Humanitarian aid includes:

- Disaster prevention and preparedness;
- The provision of shelter, food, water and sanitation, health services and other items of assistance for the benefit of affected people and to facilitate the return to normal lives and livelihoods;
- Measures to promote and protect the safety, welfare and dignity of civilians and those no longer taking part in hostilities and rehabilitation, and
- Reconstruction and transition assistance while the emergency situation persists.
- Activities to protect the security of persons or property through the use or display of force are excluded. Humanitarian assistance also includes aid to refugees in developing countries, but not to those in donor countries. Relief food aid comprises supplies of food, and associated costs, provided for humanitarian relief purposes

**Loan (also Credit):** Transfers for which repayment is required. Only loans with maturities of over one year are reported.

**Multilateral Organizations:** Multilateral organizations are international institutions with governmental membership. They include organizations to which donors' contributions may be reported either in whole or in part as multilateral ODA as well as organizations that serve only as channels for bilateral ODA.

**Official Development Assistance:** Grants or loans to GoIRA and to multilateral agencies, which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, having a grant element of at least 25 per cent). In addition to financial flows, technical cooperation is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

**Off-budget:** It means any inflow of resources or spending that are excluded from the national budget and not managed through the government systems.

**On-budget:** It refers to all inflow of resources or spending, program and project aid, is aligned with the plans of budgetary units, are captured in the budget documentation, are appropriated by the Parliament and managed through the treasury system.

**Pledges:** Pledges are a promise to make a commitment in the future. Pledges are non-binding and are often made at the very earliest stages of political engagement between a country and a bilateral or multilateral development partner. Not all pledges made will become commitments.

## Annex B - MPI Data

Table B-1 Results of Poverty Indicators by Province

	H - 2011	H - 2007	A - 2011	A - 2007	MPI 2011	MPI 2007
Badakhshan	96.90%	99.80%	63.90%	61.40%	0.62	0.61
Badghis	92.90%	99.60%	58.60%	63.70%	0.54	0.63
Baghlan	87.60%	97.60%	55.30%	52.30%	0.48	0.51
Balkh	68.30%	96.30%	53.30%	55.60%	0.36	0.54
Bamyan	90.00%	100.00%	58.90%	57.40%	0.53	0.57
Daykundi	89.40%	100.00%	54.80%	57.90%	0.49	0.58
Farah	62.80%	96.00%	46.30%	53.10%	0.29	0.51
Faryab	80.60%	96.80%	51.30%	57.20%	0.41	0.55
Ghazni	69.50%	99.60%	54.50%	53.10%	0.38	0.53
Ghor	89.90%	100.00%	52.90%	65.70%	0.48	0.66
Helmand	98.60%	98.50%	72.90%	59.10%	0.72	0.58
Herat	79.30%	90.30%	58.50%	55.40%	0.46	0.5
Jawzjan	81.70%	94.40%	54.60%	52.40%	0.45	0.49
Kabul	44.30%	66.20%	47.50%	41.40%	0.21	0.27
Kandahar	85.40%	96.40%	58.10%	60.10%	0.5	0.58
Kapisa	67.80%	100.00%	48.70%	51.00%	0.33	0.51
Khost	95.50%	99.10%	60.90%	57.70%	0.58	0.57
Kunar	91.50%	100.00%	55.50%	54.60%	0.51	0.55
Kunduz	91.30%	98.50%	57.60%	55.50%	0.53	0.55
Laghman	93.10%	100.00%	61.10%	55.40%	0.57	0.55
Logar	66.20%	99.70%	46.10%	53.40%	0.31	0.53
Nangarhar	83.50%	95.80%	50.40%	55.00%	0.42	0.53
Nimroz	83.80%	86.70%	52.80%	53.20%	0.44	0.46
Nooristan	95.10%	100.00%	67.20%	60.70%	0.64	0.61
Paktika	69.20%	100.00%	49.20%	64.50%	0.34	0.65
Paktya	91.50%	100.00%	52.90%	61.80%	0.48	0.62

Panjsher	38.70%	99.70%	43.90%	52.60%	0.17	0.52
Parwan	73.30%	98.80%	53.50%	54.30%	0.39	0.54
Samangan	91.30%	99.40%	56.50%	59.80%	0.52	0.59
Sar-e-Pul	93.00%	99.80%	63.50%	58.70%	0.59	0.59
Takhar	90.10%	99.50%	55.20%	53.30%	0.5	0.53
Uruzgan	98.90%	100.00%	79.10%	59.80%	0.78	0.6
Wardak	64.10%	99.80%	45.30%	50.20%	0.29	0.5
Zabul	95.50%	100.00%	68.80%	57.20%	0.66	0.57
AFGHANISTAN	77.10%	93.20%	55.80%	55.20%	0.43	0.51

Table B-2 contribution of each indicator to overall MPI

	FLOOR	DRINKING WATER	SANITATION	COOKING FUEL	ELECTRICITY	ASSETS	SCHOOLING	SCHOOL ATTENDANCE	CHILD MORTALITY	NUTRITION
Badakhshan	99.00%	75.40%	97.00%	97.20%	47.90%	78.50%	46.90%	43.20%	42.40%	78.90%
Badghis	98.30%	37.90%	97.40%	94.50%	54.50%	73.10%	64.30%	48.40%	7.60%	63.50%
Baghlan	97.80%	71.10%	99.60%	84.30%	36.20%	69.00%	42.50%	54.20%	41.00%	17.80%
Balkh	90.10%	36.80%	85.10%	64.20%	22.90%	47.50%	40.90%	47.50%	23.00%	22.50%
Bamyan	99.90%	80.20%	99.90%	99.40%	4.40%	69.40%	41.40%	51.30%	52.50%	35.50%
Daykundi	99.60%	81.50%	99.60%	97.90%	4.40%	75.50%	51.60%	40.70%	38.70%	25.00%
Farah	36.80%	34.40%	96.70%	85.70%	19.90%	18.80%	63.90%	46.40%	6.30%	5.50%
Faryab	98.80%	66.40%	99.70%	90.10%	17.00%	33.60%	55.40%	28.60%	28.80%	23.50%
Ghazni	90.60%	60.60%	95.90%	75.20%	24.90%	27.10%	33.50%	41.70%	17.40%	48.80%
Ghor	99.20%	76.90%	99.20%	98.10%	8.00%	71.00%	72.10%	51.00%	10.40%	15.20%
Helmand	96.50%	70.00%	98.30%	99.30%	64.40%	6.60%	85.70%	76.30%	51.20%	74.60%
Herat	82.10%	46.00%	81.80%	72.60%	26.30%	51.60%	65.80%	52.60%	41.50%	16.90%
Jawzjan	98.10%	78.30%	97.20%	88.40%	44.30%	62.80%	52.20%	54.20%	6.40%	20.10%
Kabul	47.30%	22.10%	74.90%	25.30%	10.90%	26.40%	24.70%	33.60%	23.70%	22.70%
Kandahar	84.30%	53.30%	93.90%	91.50%	18.20%	25.80%	73.00%	64.10%	38.10%	18.20%

Kapisa	93.00%	67.40%	99.00%	98.70%	21.40%	54.70%	25.40%	32.70%	30.80%	8.10%
Khost	96.30%	60.60%	98.90%	100.00%	49.00%	63.40%	52.80%	64.90%	19.00%	62.20%
Kunar	98.00%	69.40%	90.40%	99.10%	76.20%	83.20%	52.70%	73.00%	8.80%	10.40%
Kunduz	97.90%	72.30%	99.60%	90.30%	44.70%	68.20%	67.70%	65.80%	2.40%	34.10%
Laghman	96.70%	54.70%	98.90%	94.60%	21.70%	58.20%	42.20%	43.00%	61.50%	62.40%
Logar	99.00%	51.70%	99.30%	85.60%	0.90%	11.90%	25.00%	25.20%	12.70%	43.80%
Nangarhar	88.80%	50.30%	90.60%	94.40%	57.20%	85.20%	48.90%	56.40%	5.70%	9.10%
Nimroz	77.80%	86.30%	87.20%	83.00%	51.90%	40.40%	68.80%	51.70%	8.90%	12.80%
Nooristan	99.10%	85.70%	94.80%	100.00%	68.90%	72.20%	43.30%	56.60%	56.70%	60.30%
Paktika	91.10%	39.50%	93.90%	99.00%	8.90%	28.80%	32.00%	52.20%	18.50%	18.00%
Paktya	92.20%	34.50%	97.40%	98.60%	25.30%	41.70%	43.10%	77.30%	17.90%	33.20%
Panjsher	71.60%	33.00%	99.80%	95.50%	19.90%	55.90%	12.20%	18.30%	4.70%	10.20%
Parwan	88.10%	60.40%	85.80%	65.60%	12.70%	42.90%	35.30%	48.70%	36.10%	25.20%
Samangan	99.20%	80.50%	100.00%	96.80%	43.20%	73.30%	62.80%	49.30%	6.10%	39.10%
Sar-e-Pul	98.20%	73.70%	99.60%	93.10%	15.80%	74.20%	64.40%	49.10%	46.90%	51.90%
Takhar	95.40%	39.70%	98.40%	87.50%	44.50%	76.70%	60.90%	47.90%	1.80%	52.90%
Uruzgan	99.80%	93.80%	99.70%	100.00%	91.20%	59.10%	82.50%	88.00%	72.60%	46.50%

Wardak	97.20%	86.50%	98.50%	99.40%	25.20%	31.70%	23.40%	39.60%	11.60%	2.90%
Zabul	94.40%	95.50%	97.80%	98.90%	84.30%	44.80%	71.80%	60.80%	40.60%	55.10%
AFGHANISTAN	85.20%	54.20%	91.80%	78.80%	29.20%	48.90%	48.90%	48.50%	25.30%	30.80%

## Annex C

Table C-1 Status of Donor Performance on Their Tokyo Pledges, as of December 2014

#	Funding Source	Assistance Reference	Pledged Amount in USD	Committed 2012-2014	Disbursed 2012-2014	% of pledge committed	% of pledge disbursed
1	USA	The United States will request from our Congress assistance for Afghanistan at or near the levels of the past decade through the year 2017		2,878.64	3,250.33	NA	NA
2	Japan	Japan will provide up to around three (3) billion dollars of assistance to Afghanistan in about five years from 2012 in the field of socio-economic development and enhancement of security capabilities	3,000.00	2,025.96	2,146.01	68%	72%
3	Germany	Sustain its civilian assistance at its current level of up to 430 million Euros per year at least until 2015 (DCD 2014)	1,704.00	242.81	877.68	52%	52%
4	EU/EC	EU will maintain EUR 200 million per year. MIP 2014-2020 total of EUR 1400 million (USD 1848 million) (DCD 2014)	1,848.00	191.95	260.64	14%	14%
5	United Kingdom	The UK will maintain funding at current levels 178 million pound per year for the next 5 years to 2017	1,435.00	720.40	435.93	50%	30%

6	Sweden	Tokyo commitment – (2015 – 2024) 8.5 b SEK – Annual volume approx. 850 m SEK or USD 130 million (DCD 2013)	1,200.00			NA	NA
7	Asian Development Bank	More than \$1.2 billion in assistance 2012-2016	1,200.00	535.70	596.75	45%	50%
8	Norway	Maintain its development assistance at the present level of approx. \$125 million annually until 2017	500.00	291.73	236.72	58%	47%
9	Denmark	Tokyo conference pledges: USD 100m annually 2012-2017 (DCD 2013)	500.00	254.01	240.02	51%	48%
10	The World Bank	Confirmed by email from WB Country office & DCD presentation	514.00	399.20	475.80	78%	93%
11	Canada	227 million Canada dollars (USD 221.9 million) for three years 2014-2017	222.00	142.27	92.84	64%	42%
12	India	\$500 million assistance announced by Prime Minister of India in May 2011 will be spent from 2012 through 2015	500.00	27.33	0.00	5%	0%
13	France	For the period 2012-2016, the amount considered is 308 Million Euros (Email Confirmation)	380.72	278.58	144.72	73%	38%
14	Netherlands	Similar level of ambition 2013-2107. Euro 65 million per year (DCD presentation 2012)	401.73	137.95	139.24	34%	35%
15	Italy	Euro 185 million for 2012-2016. This includes soft-loan in the amount of Euro 121 million (DCD 2014)	228.68	299.60	130.71	131%	57%

16	Australia	Australia's pledge at the Tokyo Conference to increase the aid program to \$250m total ODA by 2015-16 (DCD 2013)	231.91			NA	NA
17	Finland	Increased its annual funding by half up to 30 million Euros in 2014 and keep this level at least until 2017	156.00	38.96	39.96	25%	26%
18	Turkey	\$ 150 million for development projects between 2015 and 2017(not included in \$ 16 billion)	150.00			NA	NA
19	The Islamic Development Bank	In the coming three years, IDB will contribute up to USD 80 million.	80.00	41.90	0.00	52%	0%
20	Switzerland	70 million CHF 2012-2014	50.00	64.92	39.56	130%	79%
21	Korea	Pledge to provide a total of \$ 500 million to Afghanistan over the period of 2011-2015 (both for security and social/economic development)	400.00	181.95	185.43	45%	46%
22	Oman	\$ 5 million	5.00			NA	NA
23	Slovakia	1 million Euros in 2012	1.00			NA	NA
<b>Total</b>			<b>14,708.04</b>	<b>5,875.22</b>	<b>6,042.00</b>	<b>40%</b>	<b>41%</b>

## Annex D - ODA Data Tables

Table D-1 ODA Commitment and Disbursement by Donor by Year, 2012-14 (USD million)

#	Funding Source	2012		2013		2014		Total	
		Com.	Disb.	Com.	Disb.	Com.	Disb.	Com.	Disb.
Bilateral Sources									
1	Australia	157.72	142.48	153.93	131.46	164.34	150.79	475.99	424.73
2	Belgium	0.00	0.00	2.60	2.60	2.50	2.50	5.10	5.10
3	Brunei	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Canada	149.24	119.78	147.72	124.34	142.27	119.68	439.24	363.80
5	China	0.00	0.00	1.40	0.00	0.70	0.00	2.10	0.00
6	Czech Republic	0.24	0.00	7.21	3.68	2.37	1.30	9.83	4.97
7	Denmark	65.29	57.48	110.84	63.68	56.65	43.74	232.78	164.91
8	Estonia	0.60	0.00	1.26	1.26	0.62	0.62	2.48	1.88
9	Finland	26.19	26.02	31.44	28.32	38.43	18.92	96.06	73.26
10	France	124.13	53.72	101.99	62.80	52.46	2.83	278.58	119.35
11	Germany	565.87	489.65	139.83	531.64	102.98	346.03	808.68	1367.33
12	India	0.01	0.00	7.27	0.00	20.06	0.00	27.33	0.00
13	Iran	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Italy	49.36	41.60	213.06	49.55	37.19	35.95	299.61	127.10
15	Japan	880.22	870.83	749.31	725.59	468.99	466.99	2098.52	2063.41
16	Kazakhstan	0.00	0.00	0.45	0.00	0.42	0.00	0.87	0.00
17	Kuwait	0.00	0.00	0.57	0.00	0.97	0.00	1.54	0.00
18	Lithuania	0.00	0.00	0.03	0.00	0.00	0.00	0.03	0.00
19	Luxembourg	0.66	0.00	1.15	0.67	0.78	0.00	2.59	0.67
20	Netherlands	72.76	72.49	81.68	62.23	56.28	70.46	210.72	205.17
21	Norway	120.63	128.68	164.02	127.58	127.70	114.63	412.36	370.89
22	Pakistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23	Poland	11.18	10.66	2.96	2.96	0.67	0.00	14.80	13.62
24	Republic of Korea	1.00	27.18	100.00	94.95	80.95	0.00	181.95	122.13

25	Saudi Arabia	0.00	0.00	19.18	0.00	22.25	0.00	41.43	0.00
26	Slovakia	0.00	0.00	1.30	0.00	1.12	0.00	2.42	0.00
27	Spain	8.02	6.67	9.05	8.53	1.63	0.00	18.70	15.20
28	Sweden	83.60	80.74	99.45	96.51	104.69	100.29	287.74	277.55
29	Switzerland	21.46	19.98	19.39	18.31	22.31	22.00	63.16	60.28
30	Turkey	69.75	69.75	59.42	59.42	22.28	22.21	151.45	151.37
31	UAE (United Arab Emirates)	3.62	2.06	184.08	15.45	3.13	11.46	190.83	28.97
32	UK (United Kingdom)	264.04	261.24	262.81	182.06	457.59	253.87	984.44	697.17
33	USA (United States of America)	1272.71	1317.67	1219.47	1985.70	1654.07	1225.06	4146.26	4528.43
<b>Multilateral Sources and Development Banks</b>									
34	Asian Development Bank	149.40	279.09	254.20	203.40	132.10	114.26	535.70	596.75
35	European Union/European Commission	161.20	169.95	143.15	131.32	193.25	195.93	497.60	497.20
36	Islamic Development Bank	0.00	0.00	18.92	0.00	22.98	0.00	41.90	0.00
37	SAARC Development Fund	0.74	0.27	3.04	0.58	0.96	0.28	4.73	1.14
38	World Bank	125.00	119.50	274.20	178.07		178.23	399.20	475.80
<b>United Nations Agencies and Programs</b>									
39	United Nations Assistance Mission for Afghanistan (UNAMA)	0.00	0.00	0.10	0.00	0.10	0.00	0.21	0.00
40	United Nations Development Programme (UNDP)	0.00	0.90	8.60	6.54	4.85	11.09	13.45	18.53
41	United Nations Environment Programme (UNEP)	0.06	0.06	0.06	0.06	0.06	1.90	0.18	2.02
42	United Nations Population Fund (UNFPA)	0.00	0.00	6.32	5.92	6.00	6.00	12.32	11.92
43	United Nations High Commissioner for Refugees (UNHCR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

44	United Nations Children's Fund(UNICEF)	0.00	0.00	0.00	0.00	0.00	54.41	0.00	54.41
45	Food and Agricultural Organization (FAO)	1.08	0.48	0.39	0.08	1.10	0.92	2.58	1.48
46	United Nations Educational, Scientific and Cultural Organization (UNESCO)	0.00	0.00	0.11	0.11	0.03	0.14	0.14	0.25
47	International Fund for Agriculture Development (IFAD)	0.00	0.00	7.30	7.12	7.67	0.00	14.97	7.12
48	World Food Program (WFP)	0.00	0.00	0.00	0.00	3.27	0.00	3.27	0.00
49	World Health Organization (WHO)	0.00	0.00	2.13	2.13	2.26	2.38	4.40	4.51
50	UN Women	0.00	0.00	0.00	0.00	0.00	0.38	0.00	0.38
51	UN ILO	0.00	0.00	0.00	0.00	0.00	0.95	0.00	0.95
<b>Other Sources</b>									
52	Center for Disease Control and Prevention	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
53	Global Alliance for Vaccination and Immunization	9.51	9.51	18.76	19.66	38.29	43.71	66.56	72.88
54	Global Fund	53.88	19.39	18.87	34.88	2.81	0.00	75.55	54.28
55	Global Partnership for Education	0.00	0.00	11.93	2.10	20.43	0.00	32.37	2.10
<b>Total</b>		<b>4449.17</b>	<b>4397.85</b>	<b>4660.99</b>	<b>4971.28</b>	<b>4082.57</b>	<b>3619.88</b>	<b>13192.73</b>	<b>12989.01</b>

Table D-2 ODA Commitment and Disbursement by Modality, 2012-14 (USD Million)

#	Funding Source	Com. 2012-14		Dis 2012-14		% on- budget Com	% on- budget Dis
		On- Budget	Off- Budget	On- Budget	Off- Budget		
Bilateral Sources							
1	Australia	192.83	279.46	198.49	226.24	40.8%	46.7%
2	Belgium	5.10	0.00	5.10	0.00	100.0%	100.0%
3	Brunei	0.00	0.00	0.00	0.00	0.0%	0.0%
4	Canada	67.85	371.38	56.71	307.09	15.4%	15.6%
5	China	2.10	0.00	0.00	0.00	100.0%	0.0%
6	Czech Republic	2.14	7.69	1.08	3.90	21.8%	21.6%
7	Denmark	114.52	118.38	102.23	62.67	49.2%	62.0%
8	Estonia	1.88	0.00	1.88	0.00	100.0%	100.0%
9	Finland	45.42	50.64	45.18	28.08	47.3%	61.7%
10	France	68.98	209.60	27.90	91.45	24.8%	23.4%
11	Germany	332.44	464.46	338.09	1029.24	41.7%	24.7%
12	India	27.32	0.00	0.00	0.00	100.0%	0.0%
13	Iran	0.00	0.00	0.00	0.00	0.0%	0.0%
14	Italy	230.24	57.27	75.33	51.77	80.1%	59.3%
15	Japan	1021.00	1068.14	995.27	1068.14	48.9%	48.2%
16	Kazakhstan	0.87	0.00	0.00	0.00	100.0%	0.0%
17	Kuwait	1.54	0.00	0.00	0.00	100.0%	0.0%
18	Lithuania	0.03	0.00	0.00	0.00	100.0%	0.0%
19	Luxembourg	1.93	0.00	0.67	0.00	100.0%	100.0%
20	Netherlands	134.18	76.27	131.13	74.04	63.8%	63.9%
21	Norway	166.48	245.83	160.29	210.61	40.4%	43.2%
22	Pakistan	0.00	0.00	0.00	0.00	0.0%	0.0%
23	Poland	2.58	12.22	2.01	11.61	17.4%	14.7%
24	Republic of Korea	91.95	90.00	35.62	86.51	50.5%	29.2%
25	Saudi Arabia	41.43	0.00	0.00	0.00	100.0%	0.0%

26	Slovakia	2.42	0.00	0.00	0.00	100.0%	0.0%
27	Spain	17.35	0.00	15.20	0.00	100.0%	100.0%
28	Sweden	109.21	175.31	103.59	173.96	38.4%	37.3%
29	Switzerland	2.64	59.05	1.24	59.05	4.3%	2.1%
30	Turkey	0.08	151.37	0.00	151.37	0.1%	0.0%
31	UAE (United Arab Emirates)	0.00	190.83	0.00	28.97	0.0%	0.0%
32	UK (United Kingdom)	647.38	355.43	486.04	211.13	64.6%	69.7%
33	USA (United States of America)	2130.14	1996.73	2034.03	2494.40	51.6%	44.9%
<b>Multilateral Sources and Development Banks</b>							
34	Asian Development Bank	665.39	0.00	596.75	0.00	100.0%	100.0%
35	European Union/European Commission	284.54	212.03	244.24	252.96	57.3%	49.1%
36	Islamic Development Bank	41.90	0.00	0.00	0.00	100.0%	0.0%
37	SAARC Development Fund	4.10	0.00	0.10	1.04	100.0%	9.1%
38	World Bank	393.70	0.00	475.80	0.00	100.0%	100.0%
<b>United Nations Agencies and Programs</b>							
39	United Nations Assistance Mission for Afghanistan (UNAMA)	0.21	0.00	0.00	0.00	100.0%	0.0%
40	United Nations Development Program (UNDP)	2.50	11.84	0.90	17.63	17.4%	4.9%
41	United Nations Environment Program (UNEP)	0.18	0.00	0.12	1.90	100.0%	5.9%
42	United Nations Population Fund (UNFPA)	0.00	12.32	0.00	11.92	0.0%	0.0%
43	United Nations High Commissioner for Refugees (UNHCR)	0.00	0.00	0.00	0.00	0.0%	0.0%
44	United Nations Children's Fund (UNICEF)	0.00	0.00	0.00	54.41	0.0%	0.0%
45	Food and Agricultural Organization (FAO)	0.00	2.58	0.00	1.48	0.0%	0.0%
46	United Nations Educational, Scientific and Cultural Organization (UNESCO)	0.00	0.14	0.00	0.25	0.0%	0.0%
47	International Fund for Agriculture Development (IFAD)	14.97	0.00	7.12	0.00	100.0%	100.0%
48	World Food Program (WFP)	0.00	3.27	0.00	0.00	0.0%	0.0%

49	World Health Organization (WHO)	0.00	4.40	0.00	4.51	0.0%	0.0%
50	UN Women	0.00	0.00	0.00	0.38	0.0%	0.0%
51	UN ILO	0.00	0.00	0.00	0.95	0.0%	0.0%
<b>Other Sources</b>							
52	Center for Disease Control and Prevention	0.00	0.00	0.00	0.00	0.0%	0.0%
53	Global Alliance for Vaccination and Immunization	66.56	0.00	72.88	0.00	100.0%	100.0%
54	Global Fund	41.07	0.00	54.28	0.00	100.0%	100.0%
55	Global Partnership for Education	32.37	0.00	2.10	0.00	100.0%	100.0%
<b>Total</b>		<b>7009.51</b>	<b>6226.66</b>	<b>6271.35</b>	<b>6717.66</b>	<b>53.0%</b>	<b>48.3%</b>

Table D-3 ON-Budget Disbursement by Modality, 2012-14 (USD Million)

#	Funding Source	Disbursement 2012-2014					% of Dis. Bilateral	% of Dis. TFs
		Bilateral	Trust Funds					
			ARTF	AITF	LOTFA	APRP		
Bilateral Sources								
1	Australia	0.00	198.49	0.00	0.00	0.00	0.0%	100.0%
2	Belgium	0.00	5.10	0.00	0.00	0.00	0.0%	100.0%
3	Brunei	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
4	Canada	0.00	56.59	0.00	0.12	0.00	0.0%	100.0%
5	China	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
6	Czech Republic	0.77	0.00	0.00	0.30	0.00	72.0%	28.0%
7	Denmark	50.89	34.02	0.00	14.75	2.57	49.8%	50.2%
8	Estonia	0.00	1.88	0.00	0.00	0.00	0.0%	100.0%
9	Finland	0.58	36.75	0.00	7.85	0.00	1.3%	98.7%
10	France	17.42	10.48	0.00	0.00	0.00	62.4%	37.6%
11	Germany	0.00	208.43	0.00	0.00	25.93	0.0%	100.0%
12	India	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
13	Iran	0.00	0.00	0.00	103.73	0.00	0.0%	100.0%
14	Italy	49.83	25.18	0.00	0.32	0.00	66.1%	33.9%
15	Japan	90.77	318.00	103.00	503.07	15.00	8.8%	91.2%
16	Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
17	Kuwait	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
18	Lithuania	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
19	Luxembourg	0.00	0.67	0.00	0.00	0.00	0.0%	100.0%
20	Netherlands	11.18	83.29	0.00	34.16	2.50	8.5%	91.5%
21	Norway	0.00	145.48	0.00	14.81	0.00	0.0%	100.0%
22	Pakistan	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
23	Poland	0.00	1.85	0.00	0.16	0.00	0.0%	100.0%
24	Republic of Korea	0.00	10.00	0.00	24.62	1.00	0.0%	100.0%
25	Saudi Arabia	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%

26	Slovakia	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
27	Spain	8.53	0.00	0.00	0.00	6.67	56.1%	43.9%
28	Sweden	0.00	103.59	0.00	0.00	0.00	0.0%	100.0%
29	Switzerland	0.00	0.00	0.00	1.24	0.00	0.0%	100.0%
30	Turkey	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
31	UAE (United Arab Emirates)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
32	UK (United Kingdom)	31.12	399.29	35.10	20.53	0.00	6.4%	93.6%
33	USA (United States of America)	460.60	1033.30	105.00	435.13	0.00	22.6%	77.4%
<b>Multilateral Sources and Development Banks</b>								
34	Asian Development Bank	596.75	0.00	0.00	0.00	0.00	100.0%	0.0%
35	European Union/European Commission	0.00	150.53	0.00	93.71	0.00	0.0%	100.0%
36	Islamic Development Bank	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
37	SAARC Development Fund	0.10	0.00	0.00	0.00	0.00	100.0%	0.0%
38	World Bank	475.80	0.00	0.00	0.00	0.00	100.0%	0.0%
<b>United Nations Agencies and Programs</b>								
39	United Nations Assistance Mission for Afghanistan (UNAMA)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
40	United Nations Development Programme (UNDP)	0.90	0.00	0.00	0.05	0.00	94.7%	5.3%
41	United Nations Environment Programme (UNEP)	0.12	0.00	0.00	0.00	0.00	100.0%	0.0%
42	United Nations Population Fund (UNFPA)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
43	United Nations High Commissioner for Refugees (UNHCR)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
44	United Nations Children's Fund (UNICEF)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
45	Food and Agricultural Organization (FAO)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
46	United Nations Educational, Scientific and Cultural Organization (UNESCO)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
47	International Fund for Agriculture Development (IFAD)	7.12	0.00	0.00	0.00	0.00	100.0%	0.0%

48	World Food Program (WFP)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
49	World Health Organization (WHO)	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
50	UN Women	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
51	UN ILO		0.00	0.00	0.00	0.00	0.0%	0.0%
<b>Other Sources</b>								
52	Center for Disease Control and Prevention	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
53	Global Alliance for Vaccination and Immunization	72.88	0.00	0.00	0.00	0.00	100.0%	0.0%
54	Global Fund	54.28	0.00	0.00	0.00	0.00	100.0%	0.0%
55	Global Partnership for Education	2.10	0.00	0.00	0.00	0.00	100.0%	0.0%
<b>Total</b>		<b>1931.74</b>	<b>2822.92</b>	<b>243.10</b>	<b>1254.55</b>	<b>53.67</b>	<b>30.6%</b>	<b>69.4%</b>

Table D-4 ODA Disbursement by Recipient Ministry, 2012-14 (USD Million)

#	Ministry	2012-14 Disbursement			% of Total
		On-budget	Off-budget	Total	
1	Administrative Affairs	0.00	55.71	55.71	0.5%
2	Afghan Independent Human Rights Commission	0.00	92.71	92.71	0.8%
3	Afghanistan Academy of Sciences	0.00	0.00	0.00	0.0%
4	Afghanistan Independent Human Rights Commission	0.00	20.14	20.14	0.2%
5	Afghanistan Independent Land Authority	0.00	20.84	20.84	0.2%
6	Afghanistan Investment Support Agency	0.00	0.00	0.00	0.0%
7	Afghanistan National Disaster Management Authority	0.00	39.71	39.71	0.3%
8	Anti-Corruption Commission	0.00	50.40	50.40	0.4%
9	Attorney General	0.00	0.00	0.00	0.0%
10	Central Statistics Office	0.00	18.69	18.69	0.2%
11	Civil Aviation Authority	0.00	66.80	66.80	0.6%
12	Control and Audit Office	0.00	2.91	2.91	0.0%
13	Da Afghanistan Bank	5.03	0.13	5.16	0.0%
14	Da Afghanistan Brishna Shirkat	110.64	120.76	231.40	2.0%
15	Directorate of Environment	0.12	0.00	0.12	0.0%
16	General Directorate of National Security	0.00	0.85	0.85	0.0%
17	General Directorate of Physical Education	0.00	0.38	0.38	0.0%
18	General Directorate of Radio Television of Afghanistan	0.00	2.73	2.73	0.0%
19	Geodesy and Cartography Office	0.00	0.00	0.00	0.0%
20	Independent Administrative Reform and Civil Service Commission	6.27	120.57	126.84	1.1%
21	Independent board of new Kabul	0.00	4.19	4.19	0.0%
22	Independent Directorate of Local Governance	27.22	383.51	410.73	3.5%
23	Independent Election Commission	13.91	228.93	242.84	2.1%
24	Independent Electoral Complaints Commission	0.00	2.51	2.51	0.0%

25	Kabul Municipality	24.71	52.85	77.56	0.7%
26	Legal Training Center	0.00	0.00	0.00	0.0%
27	Micro Finance Investment support facility for Afghanistan	0.00	1.30	1.30	0.0%
28	Ministry of Agriculture Irrigation and Live Stock	207.24	524.12	731.35	6.3%
29	Ministry of Border and Tribal Affairs	0.00	1.75	1.75	0.0%
30	Ministry of Commerce and Industry	6.90	198.55	205.44	1.8%
31	Ministry of Communication and Information Technology	26.70	25.17	51.87	0.4%
32	Ministry of Counter Narcotics	0.00	35.71	35.71	0.3%
33	Ministry of Defense	0.00	100.64	100.64	0.9%
34	Ministry of Economy	0.12	57.02	57.14	0.5%
35	Ministry of Education	223.59	784.74	1008.33	8.7%
36	Ministry of Energy and Water	104.51	331.02	435.53	3.7%
37	Ministry of Finance	294.20	204.10	498.30	4.3%
38	Ministry of Foreign Affairs	0.00	58.94	58.94	0.5%
39	Ministry of Haj and Religious Affairs	0.00	23.25	23.25	0.2%
40	Ministry of Higher Education	13.24	118.48	131.72	1.1%
41	Ministry of Information and Culture	0.00	50.27	50.27	0.4%
42	Ministry of Interior	1254.56	111.00	1365.56	11.7%
43	Ministry of Justice	13.11	85.73	98.85	0.8%
44	Ministry of Labor, Social Affairs, Martyrs and Disabled	23.79	124.97	148.76	1.3%
45	Ministry of Mines & Petroleum	43.79	19.41	63.21	0.5%
46	Ministry of Public Health	433.45	678.87	1112.32	9.5%
47	Ministry of Public Works	450.54	423.60	874.14	7.5%
48	Ministry of Refugees and Repatriates	0.00	196.93	196.93	1.7%
49	Ministry of Rural Rehabilitation and Development	896.43	622.29	1518.73	13.0%
50	Ministry of State and Parliamentary Affairs	0.00	3.31	3.31	0.0%
51	Ministry of Transport	4.16	145.80	149.96	1.3%
52	Ministry of Urban Development Affairs	14.74	167.41	182.14	1.6%
53	Ministry of Women's Affairs	0.00	90.06	90.06	0.8%
54	National Assembly Meshanro Jirga	0.00	3.83	3.83	0.0%

55	National Assembly Wolessi Jirga	0.00	3.30	3.30	0.0%
56	President Office	0.00	1.07	1.07	0.0%
57	President's Protective Service	0.00	0.00	0.00	0.0%
58	Supreme Court	0.00	0.14	0.14	0.0%
59	Water Supply and canalization corporation	0.00	31.62	31.62	0.3%
60	Afghanistan National Standard Authority	0.00	2.33	2.33	0.0%
61	Unclassified	937.80	0.00	937.80	8.1%
<b>Total</b>		<b>5136.78</b>	<b>6512.04</b>	<b>11648.83</b>	<b>100%</b>

Table D-5 ODA Disbursement by Province, 2012-14 (USD Million)

#	Provinces	2012-14 Disbursement	% of Total
1	BADAKHSHAN	264.87	2.7%
2	BADGHIS	124.24	1.3%
3	BAGHLAN	260.31	2.7%
4	BALKH	322.18	3.3%
5	BAMYAN	322.89	3.3%
6	DAY KUNDI	100.83	1.0%
7	FARAH	44.43	0.5%
8	FARYAB	124.92	1.3%
9	GHAZNI	240.26	2.5%
10	GHOR	102.73	1.1%
11	HILMAND	205.93	2.1%
12	HIRAT	280.01	2.9%
13	JAWZJAN	69.47	0.7%
14	KABUL	1575.90	16.2%
15	KANDAHAR	305.12	3.1%
16	KAPISA	129.72	1.3%
17	KHOST	97.95	1.0%
18	KUNAR	241.88	2.5%
19	KUNDUZ	211.67	2.2%
20	LAGHMAN	47.03	0.5%
21	LOGAR	65.73	0.7%
22	NANGARHAR	172.45	1.8%
23	NIMROZ	63.83	0.7%
24	NURISTAN	44.43	0.5%
25	PAKTIKA	33.30	0.3%
26	PAKTYA	81.42	0.8%
27	PANJSHER	32.29	0.3%

28	PARWAN	118.06	1.2%
29	SAMANGAN	106.60	1.1%
30	SARI PUL	140.50	1.4%
31	TAKHAR	113.06	1.2%
32	URUZGAN	170.18	1.8%
33	WARDAK	76.00	0.8%
34	ZABUL	71.79	0.7%
35	Country-Wide	3341.64	34.4%
<b>Total</b>		<b>9703.61</b>	<b>100.0%</b>

Table D-6 ODA Commitment and Disbursement by ANDS Sub-Sector, 2012-14 (USD Million)

Sub-Pillar/Sector/Sub-Sector	2012		2013		2014		Total		% of Sector Total	% of Total
	Com	Dis	Com	Dis	Com	Dis	Com	Dis		
<b>1.1 - Security</b>	<b>688.88</b>	<b>604.33</b>	<b>421.73</b>	<b>578.10</b>	<b>601.22</b>	<b>295.78</b>	<b>1711.83</b>	<b>1478.21</b>		<b>12.9%</b>
1.1.2 - National Defense	70.65	31.86	24.14	9.00	1.00	1.00	95.78	41.86	3%	0.4%
1.1.3 - National Security & Police	582.79	533.94	379.72	547.83	551.74	254.11	1514.26	1335.88	90%	11.7%
1.1.3 - Disbandment of Illegal Armed Groups	22.59	22.59	9.41	9.41	29.00	29.87	61.00	61.87	4%	0.5%
1.1.4 - De-Mining	12.85	15.93	8.46	11.87	19.49	10.80	40.79	38.60	3%	0.3%
<b>2.1 - Governance &amp; Rule of Law</b>	<b>587.50</b>	<b>554.70</b>	<b>799.36</b>	<b>525.97</b>	<b>437.20</b>	<b>337.92</b>	<b>1824.06</b>	<b>1418.58</b>		<b>12.4%</b>
2.1.1 - Governance & Public Administration	468.92	503.98	707.84	442.50	308.72	239.60	1485.47	1186.07	84%	10.4%
2.1.2 - Human Rights	34.92	20.89	79.18	51.92	93.31	69.57	207.41	142.38	10%	1.2%
2.1.3 - Justice & Rule of Law	59.86	29.29	11.69	31.06	34.82	26.81	106.36	87.16	6%	0.8%
2.1.4 - Religious Affairs	23.80	0.54	0.66	0.49	0.35	1.94	24.81	2.98	0%	0.0%
<b>3.1 - Infrastructure &amp; Natural Resources</b>	<b>661.04</b>	<b>878.97</b>	<b>1421.07</b>	<b>1029.47</b>	<b>618.80</b>	<b>311.86</b>	<b>2700.91</b>	<b>2220.29</b>		<b>19.4%</b>
3.1.1 – Energy	68.59	194.25	515.92	313.85	115.84	75.02	700.35	583.13	26%	5.1%

3.1.2 – Transport	356.72	456.21	543.86	439.00	169.28	119.55	1069.87	1014.77	46%	8.9%
3.1.3 - Urban Development	79.53	83.19	238.30	73.58	273.89	69.10	591.72	225.87	10%	2.0%
3.1.4 – Mining	0.59	1.80	30.09	33.93	9.27	10.40	39.94	46.13	2%	0.4%
3.1.5 - Information & Communications Technology	0.29	1.28	2.15	16.05	1.17	9.81	3.61	27.14	1%	0.2%
3.1.6 – Water	155.32	142.23	90.74	153.04	49.35	27.98	295.40	323.25	15%	2.8%
<b>3.2 - Education &amp; Culture</b>	<b>387.25</b>	<b>258.93</b>	<b>305.66</b>	<b>412.58</b>	<b>361.44</b>	<b>258.00</b>	<b>1054.35</b>	<b>929.50</b>		<b>8.1%</b>
3.2.1 - Primary & Secondary Education	288.62	179.77	228.19	278.64	254.27	212.49	771.08	670.90	72%	5.9%
3.2.2 - Higher Education	76.35	48.40	59.88	115.48	65.69	35.84	201.92	199.72	21%	1.7%
3.2.3 - Science & Research	0.15	9.88	0.00	0.10	0.00	0.00	0.15	9.98	1%	0.1%
3.2.4 – Sports	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%	0.0%
3.2.5 – Culture	18.70	17.45	16.89	17.73	39.83	8.07	75.42	43.25	5%	0.4%
3.2.6 – Media	2.14	2.14	0.36	0.28	1.48	1.42	3.97	3.84	0%	0.0%
3.2.7 – Youth	1.29	1.29	0.34	0.34	0.18	0.17	1.81	1.81	0%	0.0%
<b>3.3 – Health</b>	<b>410.46</b>	<b>347.82</b>	<b>506.83</b>	<b>451.49</b>	<b>269.60</b>	<b>296.19</b>	<b>1186.89</b>	<b>1095.50</b>		<b>9.6%</b>
3.3.1 - Health & Nutrition	410.46	347.82	506.83	451.49	269.60	296.19	1186.89	1095.50	100%	9.6%
<b>3.4 - Agriculture &amp; Rural Development</b>	<b>534.98</b>	<b>475.31</b>	<b>694.09</b>	<b>752.82</b>	<b>593.12</b>	<b>629.21</b>	<b>1822.19</b>	<b>1857.35</b>		<b>16.2%</b>

3.4.1 – Agriculture	174.54	177.22	279.33	350.54	242.61	148.54	696.47	676.30	36%	5.9%
3.4.2 - Rural Development	360.45	298.09	414.76	402.28	350.51	480.68	1125.71	1181.05	64%	10.3%
<b>3.5 - Social Protection</b>	<b>216.05</b>	<b>185.15</b>	<b>91.81</b>	<b>237.37</b>	<b>248.92</b>	<b>231.44</b>	<b>556.79</b>	<b>653.96</b>		<b>5.7%</b>
3.5.1 - Social Protection	202.59	173.99	73.35	208.35	241.46	221.76	517.40	604.10	92%	5.3%
3.5.2 - Refugees, Returnees & IDPS	13.46	11.16	18.47	29.03	7.46	9.67	39.39	49.86	8%	0.4%
<b>3.6 - Economic Governance</b>	<b>196.05</b>	<b>178.82</b>	<b>192.25</b>	<b>295.57</b>	<b>157.41</b>	<b>173.83</b>	<b>545.71</b>	<b>648.23</b>		<b>5.7%</b>
3.6.1 - Private Sector Development & Trade	173.01	147.53	190.75	265.60	143.52	136.35	507.28	549.49	85%	4.8%
3.6.2 - Public Finance	23.04	31.29	1.50	29.97	13.89	37.48	38.43	98.74	15%	0.9%
<b>4.1 - Unclassified</b>	<b>326.79</b>	<b>311.72</b>	<b>416.86</b>	<b>357.29</b>	<b>739.10</b>	<b>467.07</b>	<b>1482.76</b>	<b>1136.08</b>		<b>9.9%</b>
4.1.1 - Unclassified	326.79	311.72	416.86	357.29	739.10	467.07	1482.76	1136.08	100%	9.9%
<b>Total</b>	<b>4009.01</b>	<b>3795.74</b>	<b>4849.66</b>	<b>4640.66</b>	<b>4026.82</b>	<b>3001.30</b>	<b>12885.48</b>	<b>11437.70</b>		<b>100%</b>

## Annex E

Table E-1 Development /Strategic partnership agreements and their proposed monitoring structures

		Bi-lateral Commission	Meetings
1	Afghanistan-France Treaty	Three joint Commissions to monitor the implementation of programs and to decide about future programs: 1) Joint Cooperation Commission; 2). Joint Political and Military to discuss and analyze political, defense and regional security issues; and 3) Joint Internal Security to discuss police, organized crimes, smuggling, drug trafficking, preparedness for emergency.	Once a year
2	Afghanistan- UK &North Ireland	A High-level commission to be established with the task reviews the implementation of the partnership at least once a year.	Not known
3	Afghanistan- Italy Long term Bilateral Partnership and Cooperation	A joint Commission at the Foreign Ministers with the involvement of relevant ministers to be established.	Once a year
4	Afghanistan- Germany Bilateral Cooperation Agreement	Afghan-German Intergovernmental Working Group on Cooperation to  Implement regular dialogue as partners resulting from this treaty and agree on goals, priorities and measures of future cooperation.  The dialogue on Afghan-German development intergovernmental talks on development cooperation.	Not known
5	Afghanistan- Norway	Joint high-level commission to monitor the implementation of the cooperation agreement.	Not known
6	Afghanistan- Demark	Joint high-level commission to monitor the implementation of the cooperation agreement.	Not known
7	Afghanistan- Finland Partnership Agreement	Not mentioned	

8	Afghanistan-India	Partnership Council to be chaired by Foreign Ministers and 4 technical working groups of: Political and Security, Trade and Economic Cooperation, Capacity Building and Education and Social Cultural and Civil Society	Not known
9	Afghanistan- US	Afg.-US Bilateral Commission to be chaired by Foreign Ministers; and  A joint Steering Committee as well as three technical groups: Security; Social, democratic and economic development; Afghan institutions and governance.	Not known
10	Afghanistan- Australia	A joint Commission on Bilateral Cooperation to report to foreign ministers of both countries.	Not known
11	Afghanistan-China Declaration	To assess the progress under existing consultation mechanism.	Not known

## Annex F

Table F-1 Status of TMAF Hard Deliverables, as of December 2014

#	Hard Deliverable Description	Status
1	By June 2013, each Development Partner officially confirms its Tokyo commitments or projections from 2012 to end 2015.	All donors provided confirmation of their Tokyo commitments or projections from 2012 to the end of 2015 before the July 2013 SOM. For some donors, this commitment is subject to the approval and appropriation of funds from their respective legislative branches of government
2	1.2 Each Development Partner updates its aid information in the Donor Assistance Database (DAD) by June 2013 and annually thereafter.	Except 7 DPs, all DPs provided full or partial information for the DAD. In total the data provided by donors for the DAD represents around 98% of aid disbursed during 2012-14. The Government also provided ODA reporting guidance and data collection templates including the appropriate timeframe for data provision based on the Budget Calendar.
3	By December 2013, each Development Partner finalizes its Development Framework Agreement (DFA) or equivalent (the format to be agreed by MoF) to reconcile donor assistance with government development priorities, make aid more predictable and to confirm mutual accountability.	12 DPs out of 32 have DFAs in place of which eight <sup>2</sup> were concluded prior to the Tokyo Conference (July 2012) and four <sup>3</sup> between the Tokyo Conference and SOM (July 2013). Three <sup>4</sup> DPs are currently engaged in discussions with the Government.

4	<p>By June 2013, and annually thereafter, each Development Partner routes, 50% of its aid through the National Budget</p>	<p>Donors and the Government have agreed on a definition for on-budget and associated guidelines subject to DPs providing information on humanitarian assistance, as outlined in the on-budget guidelines.</p> <p>Of all the bilateral and multilateral donor partners and funds, 12 managed to achieve or exceed the target of channeling 50% of ODA through the on-budget system by volume of commitment and only 9 achieved or exceeded the same target by volume of disbursement. Combined, those donors who meet the 50% on-budget target by volume of disbursement contributed USD 1.9 billion or 31% of the total on-budget assistance during 2012-14.</p>
5	<p>By June 2013, and annually thereafter, each Development Partner aligns 80% of its aid to the National Priority Programs at least.</p>	<p>Many donors have made progress in aligning their development aid with the NPPs. However, differences in the interpretation of the term alignment mean that it is not possible to confirm the precise degree of alignment with NPPs. Further work will be jointly undertaken by the Government and DPs to verify alignment data, based on an agreed definition. The Government is keen that donors move further towards use of country systems and institutions.</p>
6	<p>By June 2013, Joint Review of current and planned projects/programs conducted with each Development Partner to determine and agree on the level of alignment with NPPs.</p>	<p>There has been no progress on agreeing to a common definition of alignment and as a result joint review of current and planned projects have not been conducted.</p>

7	<p>With effect from February 2013, Financing Agreements, or equivalent, (the format, scope and applicability will to be agreed by DPs, on a bilateral basis, with the MoF,) for new on and off -budget projects signed with DPs.</p>	<p>According to the MoF analysis, of the total ODA disbursed through off-budget (\$7 billion) during FY 2012-14 have signed Financing Agreements with MoF for projects with a total value of \$2.9 billion. This represents 41% of off-budget aid for which Financing Agreements have been signed with the Government.</p>
8	<p>Joint Assessments, which meets donors and government standards, of fiduciary risks at major ministries for increased on budget financing conducted by December 2013.</p>	<p>DPs commit to conduct joint assessments by December 2013. Following the release of the Guidance Note on Joint Assessments, the Government requested, on June 13, 2013, that DPs provide information on their on-going and planned assessments including joint assessments. According to the information provided by DPs for FY 2013-14 indicate that only 12.5% of assessments were jointly conducted.</p>
5	<p>Donors increase the share of their assistance provided via the Afghanistan Reconstruction Trust Fund (ARTF) incentive program, or other mechanisms as requested or agreed by the Afghan Government, to 10 percent by 2014, with a goal of 20 percent of funding through incentive mechanisms by the end of the Transformation Decade. Incentive programs should seek to provide the Afghan Government with more flexible, on-budget funding in conjunction with progress on specific economic development achievements.</p>	<p>Data not available.</p>

6	The AMP implementation plan including mechanism for joint review agreed by government and donors by June 2013.	The Government has prepared and shared the AMP implementation plan, including its monitoring framework, with all DPs. DPs and Government will seek to prioritize key elements and ensure the process is complimentary and coordinated with TMAF discussions.
7	By July 2013 each Development Partner prepares a plan, with the Ministry of Finance, to align 80% of its total aid to deliverables of NPPs	As a definition on alignment has not yet been agreed, donors are currently not developing plans to align a higher level of aid to the NPPs, although most donors consider that the 80% target has already been met. The alignment data is yet to be assessed by both sides.
8	Jointly identify funding modalities for National Priority Programs by September 2013.	The Government has begun a pilot program on five NPPs to assess their financing needs and determine the appropriate financing modalities. DPs have conducted their own assessment of NPP alignment before SOM.

## Annex J

### RECENT BILATERAL AND MULTILATERAL DONOR ASSESSMENTS

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### MULTILATERAL DONOR ASSESSMENTS

- Asian Development Bank (ADB). 2012. Country Assistance Program Evaluation for the Islamic Republic of Afghanistan, Office of Independent Evaluation, October. <http://www.adb.org/sites/default/files/cape-afg-web3.pdf>

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- World Bank 2012. Afghanistan in Transition: Looking Beyond 2014, May. <http://siteresources.worldbank.org/AFGHANISTANEXTN/Images/305983-1334954629964/AFTransition2014Vol2.pdf>

