

Bizhan, Nematullah

Working Paper

The institutions and policies of aid-recipient countries and aid effectiveness: The case of Afghanistan

WIDER Working Paper, No. 2023/40

Provided in Cooperation with:

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

Suggested Citation: Bizhan, Nematullah (2023) : The institutions and policies of aid-recipient countries and aid effectiveness: The case of Afghanistan, WIDER Working Paper, No. 2023/40, ISBN 978-92-9267-348-2, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki, <https://doi.org/10.35188/UNU-WIDER/2023/348-2>

This Version is available at:

<https://hdl.handle.net/10419/283736>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WIDER Working Paper 2023/40

The institutions and policies of aid-recipient countries and aid effectiveness

The case of Afghanistan

Nematullah Bizhan*

March 2023

In partnership with



Abstract: The aid effectiveness principles have limits if the recipient is fragile. The problem of relevance exists if the recipient has an authoritarian or totalitarian regime. In situations of weak statehood and fragility, a large portion of aid would likely bypass the state because of high demand for service delivery, weak state capacity and because the principles exclude military assistance. If a regime lacks national and international legitimacy and violates citizens' fundamental rights and international norms, aligning aid to the objectives of such a regime may be counterproductive. However, the termination of aid will hurt people who already suffer. This paper argues that it is imperative to redefine the aim of aid and adopt a more flexible set of principles. Evidence for this is provided by examining the interactions between donors and recipients looking at the case of Afghanistan during two periods: democratic regime 2002–2021, totalitarian regime 2021 onward.

Key words: aid effectiveness, state fragility, regime type, citizens' rights, international norms, Afghanistan

JEL classification: F3, I3

Acknowledgements: A draft of this paper was presented to and benefited from comments by the participants of the International Research Conference on the Effectiveness of Development Cooperation on 17–18 November 2022 in Brussels, Belgium.

This research study is released in connection with the [International Research Conference on the Effectiveness of Development Cooperation](#), jointly organized by UNU-WIDER, the Global Partnership for Effective Development Cooperation (GPEDC), and the European Commission (DG INTPA) on 17–18 November 2022 in Brussels, Belgium.

* Development Policy Center, Australian National University, Canberra. Email: nematullah.bizhan@anu.edu.au

This paper is published under the UNU-WIDER project [The state and statebuilding in the Global South – international and local interactions](#). It is released in connection with the [International Research Conference on the Effectiveness of Development Cooperation](#), jointly organized by UNU-WIDER, the Global Partnership for Effective Development Cooperation (GPEDC), and the European Commission (DG INTPA) on 17–18 November 2022 in Brussels, Belgium.

Copyright © The Author 2023

Information and requests: publications@wider.unu.edu

ISSN 1798-7237 ISBN 978-92-9267-348-2

<https://doi.org/10.35188/UNU-WIDER/2023/348-2>

Typescript prepared by Lorraine Telfer-Taivainen

United Nations University World Institute for Development Economics Research provides economic analysis and policy advice with the aim of promoting sustainable and equitable development. The Institute began operations in 1985 in Helsinki, Finland, as the first research and training centre of the United Nations University. Today it is a unique blend of think tank, research institute, and UN agency—providing a range of services from policy advice to governments as well as freely available original research.

The Institute is funded through income from an endowment fund with additional contributions to its work programme from Finland and Sweden, as well as earmarked contributions for specific projects from a variety of donors.

Katajanokanlaituri 6 B, 00160 Helsinki, Finland

The views expressed in this paper are those of the author(s), and do not necessarily reflect the views of the Institute or the United Nations University, nor the programme/project donors.

1 Introduction

The aid effectiveness principles of ownership, alignment, harmonization, managing for results and mutual accountability were developed to determine the degree of success or failure of international aid (OECD 2005). The general aim of (development) aid is to improve the recipient country's development or well-being of people living in those countries. Aid is also driven by donors' national and security interests (Bizhan 2018a, 2018b). However, the aid effectiveness principles have limits and do not account for the problem of relevance among the aid recipient countries, where the state suffers from fragility and where countries' politics and policies are predominantly determined by regime type, respectively. There should be no one-size-fits-all approach when it comes to aid effectiveness principles. It is imperative to adopt different or more flexible sets of principles for assessing aid effectiveness in situations of fragility and under different recipient regime types. The existing aid effectiveness principles have limits in the former, while in the latter, the principles are not relevant. Evidence for this argument is provided from the case of Afghanistan under a democratic regime from 2002 to 2021 and a totalitarian regime since 2021. In a totalitarian or authoritarian regime, upholding the five principles of aid effectiveness will hurt people living in those countries and those in need of urgent aid. If a regime lacks national and international legitimacy and violates its citizens' fundamental rights and international norms, aligning aid to the objectives of such a regime may be counterproductive. On the other hand, the termination of aid to such a recipient country will also hurt people who suffer from poverty and hunger. A pragmatic approach is thus required to avoid pitfalls and help those in need.

How can aid be delivered to a recipient country under an authoritarian or totalitarian regime which lacks national and international legitimacy? In a democratic regime, implementing aid effectiveness principles is desirable to align programmes and projects funded by donors to that of the recipient government. The recipient government policies are more likely to be aligned with aid objectives of improving development or wellbeing of the recipient citizens. Although these countries may lack state capacity, legitimacy, or authority which might be a challenge, and there might be limits to the aid effectiveness principles, upholding the principles of aid effectiveness can help improve state capacity and legitimacy. First, by funding programmes that build the state capacity. Second, funding basic services helps improve the image of the state in the eyes of citizens. However, if a regime is authoritarian or totalitarian and lacks domestic and international legitimacy, upholding the aid effective principles will be counterproductive. If aid helps consolidate such a regime type and its policies, it will hurt the citizens. Therefore, it is imperative to redefine the principles of aid effectiveness in the case of aid to an authoritarian or totalitarian regime. In addition, as the aid effectiveness principles do not account for stabilization and humanitarian aid in situations of fragility, such limits are also to be appreciated, even if a government is legitimate.

If a recipient has a democratic regime, working with government and strengthening the state capacity or upholding aid effectiveness principles remain an important approach for making aid more effective. Working with the government and local priorities are to be given precedence than international priorities (Commission on State Fragility, Growth and Development 2018). However, in the case of authoritarian (or totalitarian) regimes, a similar approach may hurt people and help consolidate repressive measures by the regime. Aid under such a condition needs to be *people-centred* by directly delivering it to beneficiaries through non-state actors or a parallel public sector—an alternative to building the state capacity or channelling aid through the government budget. In this case, aid needs to be aligned with the needs and priorities of the people, not the regime. While the aid effectiveness principle is desirable when the state is a reliable partner in advancing development and upholds international norms, different norms and principles are required if such a state is absent. Instead, people and the economy need to be the prime focus of

aid allocation, bypassing the government. However, donors still need to engage with government departments to obtain their permission. The concerned regime may oppose such policies aiming to either have greater leverage on aid allocations or restrict the flow of aid through non-state actors or programmes that empower citizens and civil society. Donors also need to justify to their citizens why they provide aid to a country under a totalitarian regime. Thus, different or more flexible principles are required in working in situations where the regime is totalitarian and lacks domestic and international legitimacy or when the state is fragile.

In late 2001, after the Taliban was ousted from power by the US military in alliance with Afghan local resistance forces, a new political order was established which guaranteed citizens' fundamental rights, including their right to elect their leaders. As far as aid effectiveness is concerned, aid had mixed but sometimes paradoxical impacts (Bizhan 2017). It, by and large, bypassed the national system and government; over 78 per cent of aid was channelled through an off-budget system in Afghanistan between 2002–17 because the state lacked capacity, and corruption was a major issue. Some donors also preferred to bypass the state because of their political views choosing market to play a vital role (Figure 1). When it was imperative to build the capacity of a democratic state, aid was channelled as such that it had a limited impact on state capacity and the national economy—this period emphasised making aid more effective by improving ownership, alignment, harmonization, managing for results, and mutual accountability. Despite such efforts, donors fell short of making aid more effective. A survey of the aid effectiveness principles by OECD in 2007 ranked Afghanistan low in ownership and managing for results, moderate in alignment and harmonization, and high in mutual accountability (OECD 2008). Eventually, this situation slightly improved, but a lack of ownership and alignment persisted.

However, following the collapse of the republic in August 2021, and the military takeover of Afghanistan by the Taliban, the relationship between donors and the new de facto administration in Afghanistan has changed. Afghanistan entered a tragic phase experiencing deepening humanitarian, political and economic crises. Under the status quo the GDP per capita was expected to decline to the same level as in 2003, around US\$300, by the end of 2022. The economic contraction has been due to several factors, such as cessation of grant inflows, loss of access to overseas central bank assets, and breakdown of international banking relationships caused economic output over the last months of 2021 to decline by one-third (World Bank 2022a). In addition, the Taliban interim administration imposed extreme regressive policies, such as banning girls from education above year six and university as well as restricting women from work with NGOs and most of government departments. This situation reversed many of the progressive gains achieved in the last two decades in Afghanistan. Such regressive policies were enforced under the Taliban's first rule in Afghanistan from 1996–2001. This situation put at risk the socioeconomic gains Afghanistan achieved in the last two decades, resulting in more poverty and hardship.

While there is an urgent need for humanitarian and development aid to people in Afghanistan to prevent humanitarian crises from depending, it is equally vital how aid is allocated and delivered. Unlike the last two decades, aid needs to bypass the entire Taliban de facto administration and be delivered directly to people. This approach can allow those in need to have access to humanitarian aid and donors to justify their aid to Afghanistan. Donors have already terminated their budget support aid to Afghanistan. This change was in response to the Taliban group's military takeover of Afghanistan and its social and political policies. If donors uphold the aid effectiveness principles, such as providing aid based on the Taliban de facto administration priorities, it will further hurt the people. Thus, the principles of ownership, alignment, harmonization, managing for results and mutual accountability need to be redefined in conditions such as Afghanistan, where the de facto administration lacks domestic and international legitimacy. Some critical services, such as education and health care, were highly dependent on donor aid, which need to be sustained.

One possible pathway would be to apply these principles at the programme and project levels. Also, the aim of aid should shift from working through government systems to directly working with people to improve the living conditions of people and build the national economy.

This paper explores how state capacity and the politics and policies of aid-recipient countries, driven mainly by the recipient regime type, matter for aid effectiveness. It looks at the interactions between aid donors and recipients by looking at the case of Afghanistan during two distinctive periods: under a democratic regime (2002–21) and a totalitarian regime (2021 to date). The paper is divided into four sections. Section one introduces the case study. Sections two and three assess aid effectiveness under a democratic regime from 2002–21, and under a totalitarian regime from 2021 to the present. The last section makes some concluding remarks.

2 The Republic of Afghanistan, 2001–2022

By the time of the removal of the Taliban regime by the US military in alliance with Afghan resistance forces, the economy was in a state of collapse, and public institutions were seriously disrupted. At the same time, functioning police and army did not exist. Amid high demand for the delivery of services and reconstruction of the country, the treasury of the new government was almost empty. The total revenue that the government collected in 2003 was US\$200 million. This situation made foreign aid more critical and eventually became a priority for the new government. Over the years, the state and economy increasingly relied on foreign aid, making Afghanistan one of the highest aid-dependent countries in the world (Islamic Republic of Afghanistan n.d.). The pressure was, by and large, exerted because of growing insecurity driven by an externally supported insurgency of the Taliban. With aid comprising a large portion of public expenditure compared to tax revenue, it has played a more vital role in delivering services, shaping state and society relations, and formulating national policies and institutional development (Bizhan 2022a). The republican Afghanistan, as a democratic regime, aligned its politics with the country's growing needs and international norms. To this end, the international community in general and western donors committed to providing aid to Afghanistan.

Not only it remained essential to secure the flow of aid to Afghanistan, but also how to make sure that aid was effectively managed and allocated. But the views of the Afghan government and donors differed on both matters. For the Afghan government, aid needed to be channelled through the government budget, use national systems and fund government priorities. However, donors' priorities for aid allocation and the underlying conditions for using the national systems did not align much with the government's views. Although generally supporting the government, some donors preferred to allocate and manage a large portion of their aid directly (Bizhan 2017). But despite this, donors and the Afghan government agreed to uphold the Paris Declaration principles for aid effectiveness. As a legitimate and representative government, the Afghan government was also committed to international norms, including human rights and other international conventions. This policy orientation of the Afghan government aligned with traditional donors' support of democracy and human rights. The principles of national ownership, alignment, harmonization, managing for results and mutual accountability eventually became an important framework between donors and the Afghan government. However, until the fall of republican Afghanistan in August 2021, the progress in upholding these principles has been modest or low. In addition, the aid effectiveness principles exhibited serious limits in Afghanistan as they did not account for stabilization (or military) and humanitarian aid. This area is an issue concerning countries categorised as fragile states, which suffer from deficiency across one or more of dimensions such as state legitimacy, capacity and authority and are associated with weak economies and low resilience to shocks (Bizhan 2017). Fragile states can suffer from insecurity and remaining

dependent on foreign aid for sustaining the state functions. In addition, the Paris declaration in Afghanistan encouraged the international community to focus on the processes of managing aid rather than on the impact of aid (Roberts 2009).

Afghanistan received massive development and military assistance between 2001-2021 and eventually became one of the most aid-dependent countries in the world. Aid funded public services, reconstruction efforts and the army and police. The economy grew; access to primary and secondary schools and access to basic health services significantly increased. Legal and institutional reforms were adopted to modernise institutions and legal practices (Bizhan 2022a). Not only was this level of aid dependency not sustainable, but how aid was delivered and administered had paradoxical impacts. Eventually, aid effectiveness remained important for donors and the Afghan government. The Paris Declaration on aid effectiveness established a framework to assess aid effectiveness between donors and the Afghan government. However, given the growing insecurity, lack of state capacity and the urge to stabilise the country, priorities often shifted from making aid more effective to other priorities, such as security and stabilization efforts.

In 2006, a baseline survey for the 2005 Paris Declaration on aid effectiveness was conducted in Afghanistan. In 2007, the OECD and the finance ministry of Afghanistan evaluated the Paris declaration on aid effectiveness principles. The evaluation findings demonstrated that donors and the Afghan government tried to uphold these principles. In contrast, the progress in achieving the principles remained medium or low and, in one case, high. Five main challenges were highlighted in upholding the principles. First, the evaluation found that large amounts of aid were not linked to implementing Afghanistan National Development Strategy (ANDS), a comprehensive five-year plan for improving security, development, and governance in Afghanistan. Second, the country system was weak, resulting in donors being reluctant to use country systems. Third, there has been a lack of clear prioritization in each sector and divergence between the Afghan government and donor strategies. Fourth, very little information did exist about development outcomes and indicators. Fifth, while there was a strong coordination mechanism under the Afghan Compact—a blueprint of cooperation between the Afghan government and the international community (ANDS 2006), the coordination mechanism for implementation was weak. The report found that the progress with principles of ownership and managing for results was low, alignment and harmonization were moderate, and mutual accountability was high (OECD 2008).

In 2008 and 2009, the Agency Coordinating Body for Afghan Relief and Development (ACBAR) and Afghanistan Research and Evaluation Unit (AREU) commissioned separate reports assessing aid effectiveness in Afghanistan. Both assessments found that aid was not effectively used and managed in Afghanistan, and called for a reform to make aid more effective in Afghanistan. In addition, the report by AREU argues that aid effectiveness principles had series limits in Afghanistan, overlooking politics and excluding humanitarian and stabilization aid, which remained crucial for the country.

Increasing insecurity and criminality [are] jeopardising progress in Afghanistan. With low government revenues, international assistance constitutes around 90 per cent of all public expenditure in the country; thus, how it is spent has an enormous impact on the lives of almost all Afghans and will determine the success of reconstruction and development. Given the links between development and security, the effectiveness of aid also has a major impact on peace and stability in the country. Yet thus far, aid has been insufficient and in many cases wasteful or ineffective. There is, therefore, no time to lose: donors must take urgent steps to increase and improve their assistance to Afghanistan (Waldman 2008: 1)

On the part of the Afghan government, the finance ministry took the lead in aid coordination. The Afghan Assistance Coordination Authority (ACCA), established after 2001 for aid coordination, was merged with the Ministry of Finance’s General Directorate of Budget, under the name of Development Budget and External Relations Unit (DBER) in 2002. This unit was led and staffed by a younger generation who joined the team through a competitive process through a project supported by UNDP and funded by donors. The unit focused on development programmes and plans and aid coordination. It also established a Donor Assistance Database (DAD) to track aid flow and spending. DBER conducted annual donor reviews and regularly met with government departments, the private sector, and donors (Bizhan 2013). To prevent aid fragmentation, policies were developed to minimise the number of donors supporting a sector unless they would provide certain amounts of aid to a concerned sector. The Afghanistan Compact and then the ANDS (2008-2013) provided a framework for aligning aid to Afghanistan priorities. UNAMA (United National Assistance Mission for Afghanistan) took the lead in coordinating donors. While these efforts helped improve public financial management, aid coordination and harmonization, problems such as lack of capacity in the public sector and among donors, growing insecurity, and the dominance of security imperative outweighed the benefits of efforts to make development aid more effective.

Afghanistan received US\$81 billion in overseas development assistance (ODA) over 2001–22 (World Bank 2022b). This figure does not include military and stabilization aid that remained substantial.

Table 1: National budget and sources of funding, Afghanistan, 2004–18 (in US\$)

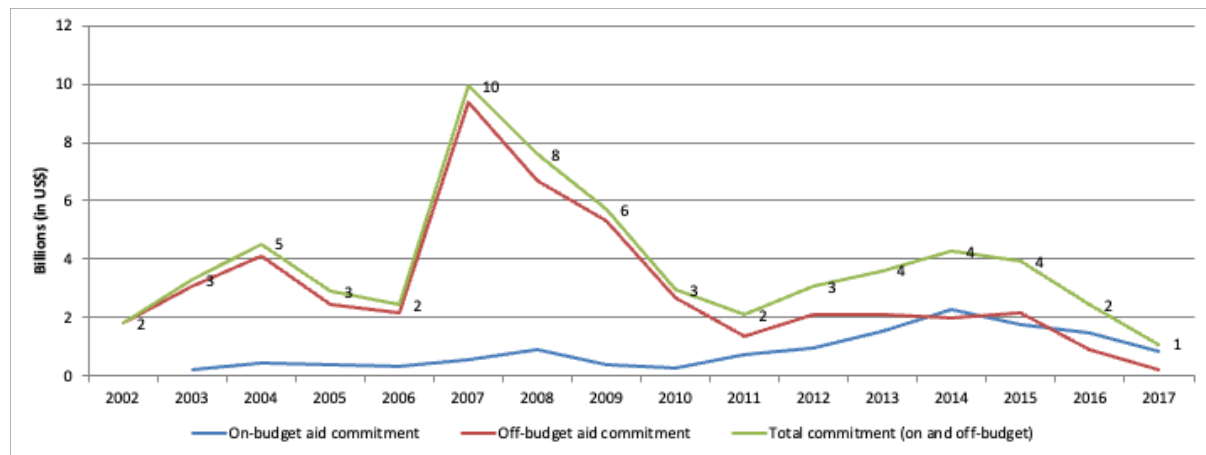
Year	Total expenditure	Domestic revenue	Foreign aid	Total funding available	Deficit
2004	4833400000	308600000	1074600000	1383200000	-3450200000
2005	1887000000	333000000	1554000000	1887000000	0
2006	2204890280	536480000	1668410280	2204890280	0
2007	2612160000	715460000	1181240000	1896700000	-715460000
2008	2695350000	887500000	1737930000	2625430000	-69920000
2009	2942532000	973076923	1541620000	2514696923	-427835077
2010	4443213268	1466391751	2862846000	4329237751	-113975517
2011	4782570620	2045847817	2674620600	4720468417	-62102203
2012	4894881400	1900280000	2740066700	4640346700	-254534700
2013	6809174650	2488311460	4076681310	6564992770	-244181880
2014	7649617000	2489948000	4836646000	7326594000	-323023000
2015	7652155000	2201982000	5375477000	7577459000	-74696000
2016	6635921746	1992140612	4492903000	6485043612	-150878134
2017	6409160000	2396436000	3862725000	6259161000	-149999000
2018	5519318000	2364967000	2798971000	5163938000	-355380000
2019	5255499144	2473757825	2618630228	5092388053	-163111091
2020	5964972025	2309090909	2989396622	5298487531	-666484494
2021	6064637409	2775641026	2806944053	5582585079	-482052330

Source: Ministry of Finance (2021).

Security spending surpassed other sectors. Out of the US\$57 billion aid that Afghanistan received from 2002–10, 51 per cent was allocated to the security sector (Bizhan 2017: 88). The security spending increased in the following years because of the deterioration of the security situation. In 2019, out of US\$8.5 billion in international grants, 60 per cent was allocated to security (World Bank 2019: 29). The US remained the major economic and military donor to Afghanistan. According to the US Special Inspector for Reconstruction of Afghanistan (SIGAR), from 2002–21, the US congress appropriated US\$145 billion for reconstruction and related activities in Afghanistan. The US Department of Defence figure on the cost of war report, however, shows that the cumulative obligations for Afghanistan, including warfighting and reconstruction and related obligations, had reached US\$839 billion, while cumulated reconstruction and associated obligations by State, USAID, and other civilian agencies reached US\$49 billion (SIGAR 2022).

As Table 1 shows, aid became increasingly crucial for funding public expenditure in Afghanistan. Between 2004–21, on average, development and military aid funded 57 per cent of the public expenditure, including funding through on-budget and off-budget. The former would use the budget and national procurement system, while the latter would bypass the government budget and national systems. A large portion of aid bypassed the state and was delivered directly to beneficiaries through non-state actors, such as NGOs, contractors, and private sector. Between 2002–09, 82 per cent of aid bypassed the state (Bizhan 2017: 154). While the situation improved slightly and donors committed to providing more funding through on-budget, as Figure 1 shows, off-budget funding remained substantial. Off-budget aid bypassed the government budget and national systems and remained less effective in improving the national economy.

Figure 1: The flow of aid and delivery channels, Afghanistan, 2002–17



Source: Ministry of Finance (2021).

The principle of ownership emphasised that countries set their strategies for poverty reduction, improve their institutions and tackle corruption. Afghanistan took a strong lead in developing its strategies for poverty reduction. The Afghanistan Interim National Development Strategy (IANDS) and then a full ANDS (2008–13) provided a five-year blueprint for poverty reduction, economic growth, security, and governance. The strategy was perceived to be ambitious. It was developed through an inclusive process involving different actors in Afghanistan. Full implementation of ANDS required US\$50 billion in funding. But at the time of the approval of the ANDS by the Afghan government, US\$6.5 billion was projected to be provided through domestic revenue by the Afghan government and US\$24.5 billion was pledged by donors (Islamic Republic of Afghanistan n.d.: 1387–91). In addition, before ANDS, the Afghanistan Compact (2006–2010) provided a platform for cooperation between donors and the Afghan government through which donors committed to using their aid effectively and efficiently (ANDS 2006). Later also the

government developed strategies, such as the Afghanistan National Peace and Development Strategy (2018–22).

However, insecurity, donors and aid fragmentation, lack of government capacity, political factionalism in government, and patronage and corruption remained major obstacles to development and aid effectiveness. Earlier, some of the issues observed as a challenge to the ownership of the government were ‘a lack of prioritization among the many stated development targets and goals in the strategy; a budget poorly linked to the strategy; and very low levels of domestic revenue resulting in difficulties in implementing the strategy’ (OECD 2008). Later, the government attempted to address these through ANDS and provide a clear prioritization of the national programmes and projects. However, consolidated comments which donor provided to the Afghan government in response to the final draft of the ANDS included more than 200 pages of comments and recommendations, showing how diverse the donors’ views were and how much donors were fragmented. In addition, a lack of local ownership at the sub-national level has been an ongoing issue, which had been neglected. Politics also affected development planning as changes in the leadership of key institutions would result in discontinuity in the development planning and implementation process and priorities, affecting progress and efficiency.

There was a lack of aid alignment with national priorities. An assessment in 2008 found that a large portion of aid was not aligned with national and provincial priorities, and *only half* of the development aid was disbursed in agreement with the government. This included funds provided to the on-budget plus those for projects with a signed agreement or memorandum of understanding with a ministry or government agency. The situation with technical assistance was even worse. Less than 40 per cent per cent of all technical assistance was coordinated with the government. This was amid the government establishing different mechanisms to coordinate the technical assistance funded by donors in the country. Even in this period, the government did not have information about one-third of the aid provided to Afghanistan (Waldman 2008). As Figure 1 shows, the alignment of aid to government plans and strategies improved, and so did the percentage of total aid through on-budget.

While the principles of harmonization required donor countries to coordinate, simplify procedures and share information to avoid duplication, aid suffered from fragmentation and duplication of efforts. By 2008, only one-third of donor country analytical work, such as research, analysis, and assessment of conditions, was conducted jointly with other donors. Some countries and institutions performed better. Canada and World Bank conducted over 60 per cent of analytical work jointly in 2005 (Waldman 2008). The finance ministry emphasised in 2014 that donors should use government systems to the extent possible (Ministry of Finance n.d.). One of Afghanistan’s challenges was that there were multiple actors with diverse interests, making aid coordination and harmonization far more challenging.

While the United States was, and remain[ed], the largest donor of foreign aid to Afghanistan, 53 countries and international organizations actively participated in the country’s reconstruction. However, they lacked a coherent view on where and how to spend their aid, making aid coordination a daunting task. Unlike in [post-World War II] Europe, foreign aid — of which about three-quarters was provided by the United States — on average made up over half of Afghanistan’s GDP. The war economy, as a result, posed major challenges to the country’s reconstruction and governance, as did Afghanistan’s narcotics industry — neither of which were challenges in postwar Europe (Bizhan 2014).

Unlike aid under the Marshall Plan after the Second World War where there was only one donor, in Afghanistan there were multiple actors and donors, sometimes with diverse interest.

Under the principle of managing for results, donors were required to make joint commitments to managing resources according to desired results. The World Bank review on *Result Based National Development Strategy: Assessments and Challenges Ahead*, focused on the quality of the information generated, stakeholders' access to the information, and the extent to which such information is utilised in country level monitoring and evaluation systems. Afghanistan was ranked D in 2007 (while A was high, E was low) (OECD 2008). The government departments and finance ministry invested vast resources and time to develop result-based budgeting and planning. While some departments exhibited progress in preparing results-based plans and budgets, overall result-based planning and budgeting proved highly challenging because of the limited capacity of the civil servants, donors and the problem with such a model. Even many developed countries find result-based planning a challenging and daunting task.

The Paris declaration emphasises that stronger and more balanced accountability mechanisms are required at all levels to make aid effective. Afghanistan exhibited significant progress in promoting mutual accountability between the Afghan government and donors. This was realised through a number of mechanisms and frameworks that the Afghan government put in and was supported by donors. The Afghanistan Compact, which included a number of commitments from both government and donors to improve the quality of aid in line with the objectives of the Paris Declaration, played an important role. Implementation of the Compact was assessed through regular reports and meetings hosted by the Joint Coordination Monitoring Board (JCMB), co-chaired by a senior Afghan official (appointed by the president) and the special representative of the UN Secretary-General for Afghanistan. Also, a monitoring framework for the implementation of the compact was developed for monitoring and evaluating the progress. Later, the ANDS provided an important platform for mutual accountability. In addition, in 2012, the Afghan government and the international community agreed on the *Tokyo Mutual Accountability Framework*, consisting of two parts, one details time-bound reform commitments for the government and the other details aid effectiveness commitments for the donors.

However, the aid in Afghanistan was less transparent and less predictable, having repercussions on governance and development planning. Despite the commitment by donors to provide aid predictability for three to five years, most donors provided projections on an annual basis (Bizhan 2013). The situation, however, became alerting because of the existence of a 'neopatrimonial political order, with formal bureaucratic and administrative structure entwined with informal networks and patronage' (Maley 2018). This situation in comparison to those countries that remained aid dependent but had a modern bureaucracy with substantial capacity, such as post World War II South Korea and Taiwan, performed poorly (Bizhan 2018a).

While, technically, Afghanistan demonstrated some progress in upholding the aid effectiveness principles, these principles had limits. The major limits were that these principles focused on development aid, excluding humanitarian and stabilization aid. In addition, aid impacts were overlooked. A good process can be important but cannot guarantee success. The nature of the state and politics was another critical factor neglected in overall looking at the context of Afghanistan. As a neo-patrimonial state, the administration was highly politicised; senior positions and resources were traded for political support. In addition, the growing insecurity and insurgency of the Taliban proved a daunting challenge, resulting in extortion from development projects and businesses.

Amid the limits and challenges, significant improvements were made in expanding access to education, health care services and institution building. The economy also grew substantially. Reforms were implemented in different sectors. However, Afghanistan could have achieved a better development result if there had been no insurgency. But with the fall of republican Afghanistan and the takeover by the Taliban, the country entered a new phase, where the flow of

development and stabilization aid to Afghanistan terminated, the gains achieved in the last two decades were put at risk of collapse, and Afghanistan had no legitimate government, lacking international recognition. The period in which aid effectiveness principles had limits ended with a situation where the principles were no longer relevant under the Taliban regime.

3 The return of the Taliban to power, 2021 and beyond

Amid the withdrawal of large numbers of US and NATO troops and termination of their combat role following the contested presidential elections of 2014 and 2018, Afghanistan has become increasingly fragile (Bizhan 2022a). Biden announced that he would withdraw all the US forces from Afghanistan before September 2021 (Knott 2021). Before the completion of the US and NATO forces' withdrawal from Afghanistan, President Ashraf Ghani escaped on 15 August 2021. Subsequently, Kabul fell to the Taliban. This development put Afghanistan and the gains achieved in the last two decades at risk of collapse, resulting from several internal and external factors. First, the US shifted its interest in Afghanistan and the region. 'The deal the Trump administration signed with the Taliban and the Biden administration implemented in full weakened the Afghan government's capabilities, undermined its legitimacy and confidence, and expedited the collapse of a democratic regime in Afghanistan' (Bizhan 2022b; Maley and Jamal 2022). Second, Pakistan's role in providing the Taliban with sanctuaries, logistical support, and equipment was critical in the return of the Taliban to power. Third, factionalised politics, patronage, and a highly personalised and centralised state structure weakened Afghanistan (Ibid).

Once the Taliban group returned to power, it re-established a totalitarian theocracy, imposing harsh policies — most of which were imposed under their rule from 1996–2001. The Taliban abolished the 2004 constitution of Afghanistan, restricted women's activities and banned girl access to schools above year seven, and relied on excessive repression of the former government members and the population. Thousands of people left Afghanistan. The Taliban's capture of power brought a rupture with the international community. While the UN and US sanctioned the Taleban as an insurgent group in the past, now similar measures were applied to the whole country.

With the fall of Kabul to the Taliban, Afghanistan's foreign reserves of US\$9 billion were frozen by the US, the flow of aid to Afghanistan, which amounted to about US\$5 billion annually, ended, and there were massive capital outflows from the country, with devastating impact on the economy. Critical public services were either cut or disrupted. About 2,000 health centres were supposed to be closed in September 2021 (DW 2000). Banks did not allow withdrawals of more than US\$200 in the first months after the fall. As such, businesses did not have access to their money. The army collapsed. Civil servants, close to 45,000 people, have not been paid, and later the salaries of those with high scale, top-up payments for experts were reduced. Around a million people lost their jobs. The private sector was also seriously disrupted. While before 2021, it was estimated that about 54 per cent of people were living in poverty, the recent developments forced more people into poverty. In July 2021, the UN reported that 18.5 million people, or nearly half of the population, needed humanitarian support, and a third of the country was suffering from malnutrition (UN News 2021). The situation has further deteriorated, with the Ukraine war, earthquakes, and flooding increasing food prices and exacerbating the challenges. No country officially recognises the Taliban de facto administration, making Afghanistan a pariah state.

As a result of the Taliban policies, such as violating the fundamental rights of people and international norms as well shift in the major power interests, Afghanistan lost access to development and stabilization aid. The only aid that was available and was immune from the sanctions was humanitarian aid. The need for humanitarian assistance also proportionately grew

with the growing humanitarian crises and the economy's fall. On 11 January 2022, the UN launched a US\$5 billion funding appeal for its 2022 Afghanistan Humanitarian Response Plan, the largest single country aid appeal in UN history. Later, on 26 January, it announced an additional appeal for US\$3.6 billion as part of its Transitional Engagement Framework, requiring more than US\$8 billion in humanitarian and other aid for Afghanistan. In the same month, the US additional US\$308 million in US humanitarian aid for Afghanistan. As of August 2022, the UN received US\$1.8 billion in humanitarian aid (Lang 2022). Given the development under the Taliban regime, the main challenge thus remained not only how to secure but also how to deliver humanitarian (or if any development) aid in Afghanistan.

The US has provided US\$2 billion from October 2021 to December 2022, of which US\$100 million was allocated for security, US\$222 million for government and development and US\$1428 million was for humanitarian assistance. The US ended most of its development aid to Afghanistan, but provided limited funding to address critical needs of the Afghan people in several key sectors — such as health, education, agriculture, food security, and livelihood. Instead of providing funding through government departments, the US aid goes through NGOs, and international organizations, such as UNICEF and the World Food Programme (SIGAR 2023). Other donors followed a similar pattern by channelling aid through non-state actors. The Afghanistan Trust Fund, which the World Bank administrates, allocated US\$59 million in 2021, which Norway and US provided US\$5.68 million and US\$53.72 million, respectively (SIGAR 2023). While before the collapse of republican Afghanistan, the Afghanistan Reconstruction Trust Fund (ARTF) aimed to fund project that were aligned with the government priority and would use the government treasury and national systems; after the return of the Taliban to power, it shifted its policy and bypassed the de facto administration of the Taliban. The fund leadership stated that as of 2022, it would take a 'programmatic approach to provide support for essential basic services and livelihood for the Afghan people through UN agencies and selected NGO partners' (ARTF 2023).

The policies of the Taliban de facto administration affected Afghanistan's relationship with the international community and donors. This resulted in the termination of development aid to Afghanistan, except few essential projects and humanitarian assistance. As such, the principles of aid effectiveness, which are largely concerned with development aid, are no longer relevant to Afghanistan for two main reasons. First, the principles do not account for humanitarian aid. Second, upholding the principles of aid effectiveness will be counterproductive because if donors support the Taliban policies and priorities, on the one hand, it will result in the termination of aid as donors will no longer be able to justify their aid to Afghanistan to their constituencies. On the other, it may further lead to violating the fundamental rights of people in Afghanistan if the regime uses aid to consolidate its power and enforce its policies. A similar question arises in other countries in a similar situation as Afghanistan.

It is imperative to find a workable approach and revisit the principles of aid effectiveness to account for the regime type and the policies of the recipient. A one-size-fits-all approach for aid effectiveness either will hurt the recipient population or make little contribution to making aid more effective. While in a situation where a government is legitimate and largely represents its people, the five principles of aid effectiveness can be helpful for making aid more effective. But in a situation where a regime is not legitimate, which violates the fundamental rights of their people, in that case, rather than the government, it would be preferable to adopt approaches focused on people and market and where aid is directly delivered through non-state (non-government) actors. While in the long run this approach can undermine the capacity of a recipient state, it can prevent aid from hurting the recipient citizens or being terminated.

4 Conclusion

The case of Afghanistan in two distinctive periods shows the limits and lack of relevance of aid effectiveness principles. Under republican Afghanistan, the state had national and international legitimacy and received substantial development, stabilization, and humanitarian aid. The flow of aid was driven by the strategic interest of the donors, especially the US, and such a relationship was shaped by the policies of republican Afghanistan post-2001. While aid fostered Afghanistan's economic growth and promoted primary and secondary education and the expansion of basic health services, the way that aid was administered produced paradoxical institutional and political outcomes, evident from the first years of the international intervention in Afghanistan (Bizhan 2017; Surhke 2011). In this period, the aid effectiveness principles of ownership, alignment, harmonization, managing for results and mutual accountability exhibited limits. These principles mainly focused on development aid and aid management. Other types of aid, such as stabilization and humanitarian aid, were excluded. In addition, less emphasis was put on politics and aid impacts. Amid these limits, the growing insecurity and insurgency led to increasing the cost of development and extortion of projects by various actors, through corruption or by the insurgents. Thus, the first lesson is that the principles of aid effectiveness do not appreciate the realities in situations of fragility, where the state is weak and received substantial amounts of stabilization or military aid.

Second, under the Taliban de facto administration since August 2021, the Afghanistan case shows that the aid effectiveness principles are no longer relevant. This is because the Taliban de facto administration has no national and international legitimacy. In this case, upholding the principles of aid effectiveness will be counterproductive, rather than helping people will hurt people because of the type of regime that the Taliban has established and the policies they have pursued since they seized power in Afghanistan. While it is unlikely that Afghanistan will receive development and stabilization aid in the current situation, it is more likely that the flow of humanitarian aid to Afghanistan will continue. However, a different set of principles are required to prioritise people and support to the market, bypassing the Taliban de facto administration.

This paper argues that the aid effectiveness principles have limits if the recipient is fragile. On the other, the problem of relevance exists if the recipient has an authoritarian or totalitarian regime. In situations of fragility, a large portion of aid would likely bypass the state because of high demand for service delivery, weak state capacity and because the principles exclude military assistance. If a regime lacks national and international legitimacy and violates citizens' fundamental rights and international norms, aligning aid to the objectives of such a regime may be counterproductive. However, the termination of aid will hurt people who already suffer. In situations of weak statehood where the government is legitimate, it is imperative that aid should use national systems and government budget. However, under a totalitarian or authoritarian regime, precedence needs to be given to the needs of people in the recipient countries and aid to be delivered through non-state actors by bypassing the regime. It is thus imperative to redefine the aim of aid and adopt a more flexible set of principles that can appreciate the state capacity and different forms of aid, and the recipients' regime types and policies.

References

- ANDS (Afghanistan National Development Strategy) Secretariat (2006). *The London Conference on Afghanistan: The Afghanistan Compact*. London: ANDS.
- ARTF (Afghanistan Reconstruction Trust Fund) (2023). 'About Us'. Accessed 23 February 2023.
- Bizhan, N. (2013). *Budget Transparency in Afghanistan: A Pathway to Building Public Trust in the State*. Washington DC: International Budget Partnership. <https://doi.org/10.2139/ssrn.3579750>
- Bizhan, N. (2014). *The Limits of US Aid in Afghanistan*. Foreign Policy.
- Bizhan, N. (2017). *Aid Paradoxes in Afghanistan: Building and Undermining the State*. Abingdon: Routledge. <https://doi.org/10.4324/9781315170701>
- Bizhan, N. (2018a). 'Aid and State-Building, Part I: South Korea and Taiwan', *Third World Quarterly* 39(5): 999–1013. <https://doi.org/10.1080/01436597.2018.1447368>
- Bizhan, N. (2018b). 'Aid and State-Building, Part II: Afghanistan and Iraq', *Third World Quarterly*, 39(5): 1014–31. <https://doi.org/10.1080/01436597.2018.1447369>
- Bizhan, N. (2022a). *Building Legitimacy and State Capacity in Afghanistan*. In Bizhan, N. (ed.) (*Fragility: Case Studies and Comparisons*). London: Routledge.
- Bizhan, N. (2022b). 'Afghanistan: A Tragic Fall, Consequences and Prospects', *Orient*, IV: 44-49.
- Bizhan, N. (ed) (2022c) *State Fragility: Case Studies and Comparisons*. London: Routledge. <https://doi.org/10.4324/9781003297697>
- Commission on State Fragility, Growth and Development (2018). *Escaping the Fragility Trap*. Blavatnik School of Government, Oxford University, and International Growth Center, London School of Economics and Political Science, London.
- DW (2021). '2000 Health Centers Are Supposed to Be Closed Down' (*2000 Tasisate Sebi Dar Maraz-I Masdood Shudan Qarar Darand*). Available at: <https://go.unu.edu/8yU4A> (accessed in March 2023).
- Islamic Republic of Afghanistan (n.d.). *Afghanistan National Development Strategy, 2008-2013*. Kabul: ANDS Secretariat.
- Islamic Republic of Afghanistan (2010). *Development Cooperation Report*. Kabul: Ministry of Finance.
- Knott, M. (2021). "I Stand by My Decision": Biden Defends Us Withdrawal from Afghanistan', *The Sunday Morning Herald*. 17 August 2021. Available at: <https://www.smh.com.au/world/middle-east/i-stand-by-my-decision-biden-defends-us-withdrawal-from-afghanistan-20210817-p58jat.html> (accessed in March 2023).
- Lang, H. (2022). *Fit for Purpose: Getting Humanitarian Aid Right in Afghanistan One Year after the Taliban Takeover*. Washington, DC: Refugees International. Available at: <https://www.refugeesinternational.org/reports/2022/8/16/fit-for-purpose-getting-humanitarian-aid-right-in-afghanistan-one-year-after-the-taliban-takeover> (accessed in March 2023).
- Maley, W. (2018). 'Institutional Design, Neopatrimonialism, and the Politics of Aid in Afghanistan', *Asian Survey*, 58(6): 995–1015. <https://doi.org/10.1525/as.2018.58.6.995>
- Maley, W. and Jamal, A. Shuja (2022). Diplomacy of Disaster: The Afghanistan 'Peace Process' and the Taliban Occupation of Kabul. *The Hague Journal of Diplomacy*, 17 (1): 32–63. <https://doi.org/10.1163/1871191X-bja10089>
- Ministry of Finance (n.d.) *Development Cooperation Report, 2012-14: From Tokyo to London: A Progress Report on Development Cooperation*. Kabul: Ministry of Finance of Afghanistan.
- Ministry of Finance (2020). *Donor Assistance Database*. Kabul: Ministry of Finance.
- Ministry of Finance (2021). *National Budgets 2004-2021*. Kabul: Ministry of Finance.

- OECD (2005). *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, 2005/2008*. Paris: OECD Publishing.
- OECD (2008). *Survey on Monitoring the Paris Declaration, Making Aid More Effective by 2010: Afghanistan*. Paris: OECD.
- Roberts, R. (2009). 'Reflections on the Paris Declaration and Aid Effectiveness in Afghanistan'. Kabul: AREU.
- SIGAR (2022). *Quarterly Report to the United States Congress*. 30 July 2022. Arlington: SIGAR. Available at: <https://www.sigar.mil/pdf/quarterlyreports/2022-07-30qr.pdf> (accessed in March 2023).
- SIGAR (2023). *Quarterly Report to the United States Congress*. 30 January 2022. SIGAR: Arlington. Available at: <https://www.sigar.mil/pdf/quarterlyreports/2023-01-30qr.pdf> (accessed in March 2023).
- Surhke, A. (2011). *When More Is Less: The International Project in Afghanistan*. London: Hurst and Company.
- UN News (2021). 'Afghanistan: Funding Shortfall Amid Deepening Humanitarian Crisis'. 15 July 2021. Available at: <https://news.un.org/en/story/2021/07/1095922> (accessed in March 2023).
- Waldman, M. (2008). 'Falling Short: Aid Effectiveness in Afghanistan'. March. Agency Coordinating Body for Afghan Relief (ACBAR).
- World Bank (2019). *Post-Settlement Economic Initiatives: To Support Peace and Inclusive Growth in Afghanistan*. Washington DC: World Bank.
- World Bank (2022a). 'Economic Recovery in Afghanistan: Discussion Paper (Phase I)'. Washington DC: World Bank.
- World Bank (2022b). *World Development Indicators*. Washington DC: World Bank.