

**COMMENT: Afghans need a more reliable sort of aid**

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The first battle for a stable Afghanistan has been won: registering and voting peacefully in massive numbers, the Afghan people demonstrated their readiness for democracy. The vote for President Hamid Karzai was a call for stability and prosperity. Having lost \$240bn between the communist coup of 1978 and the fall of the Taliban in November 2001 (a World Bank estimate of war damage and opportunity cost), Afghans now have high expectations for infrastructure and services. With international aid pledges amounting to \$8.2bn for the next three years, our task is to make sure that those expectations are not disappointed. That means taking innovative approaches to make the aid system work better.

Our aim is to use aid as a magnet for trade and investment. We have sought to avoid the classic pathologies of aid recipients (carrying out limited reforms, backtracking on commitments, claiming short-term needs, borrowing piecemeal and then begging debt forgiveness). Since 2002, our priorities have been clear: to develop the human, physical and legal infrastructure that will nurture private sector growth.

So far we have done well. The economy has grown at an average of 20 per cent a year over the past two years. We have met all the benchmarks set by the International Monetary Fund, as well as the programme loan conditions of the Asian Development Bank and the World Bank. We have reformed the currency, the banking system, tariffs, customs and the treasury. The national budget is now accepted as the main instrument for channelling donor support. The transport and construction sectors are attracting significant private Afghan and regional investment.

These achievements testify to a successful multilateral partnership between the government, international financial institutions, donors, multilateral agencies, the United Nations and non-governmental organisations since January 2002. For much of that time, emergency thinking was necessarily predominant. Now the government has both a seven-year reconstruction plan and an electoral mandate. It is time for the aid community to put the Afghan government in the driver's seat in order to ensure sustainable growth.

No investment is more indicative of the transition from emergency funding to real development aid than investment in infrastructure. In Afghanistan's case, there are three main sectors that will require significant resources in the next few years: roads, power and water.

If repair of Afghanistan's main highway system were funded today, it could in five years' time yield \$300m-\$400m annually in toll revenues from international transit. Afghanistan would become a land-bridge between central Asia, south Asia and the Gulf.

Similarly, if its national grid were adequately funded, Afghanistan could transmit electricity from energy-rich central Asia to energy-poor south Asia within two years, earning tens of millions of dollars in revenues. As things stand, while less than 6 per cent of the country remains on a functioning grid, we can never achieve our health, education and industrial goals.

Finally, if we could begin work today on a network of strategically located small and medium-sized dams, in five years' time we could ensure that 30 per cent of our water came from regulated sources, reducing the risk of drought and increasing the productivity of the agricultural sector. At present, though this accounts for more than half our economy, yields are only one-eighth those in neighbouring countries.

Despite donors' generosity, these programmes are not making sufficient progress for three main reasons: we have not yet found ways to make aid sufficiently accessible, co-ordinated or predictable.

The aid system does not currently allow us to convert tomorrow's promises into today's capital investments. We need new funding instruments - trusts, endowments, loan guarantees - that could transform pledges of future funding into funds available to contractors today. We also need to co-ordinate our infrastructure efforts through a partnership of donors, government and contractors. That way we can harmonise our engineering and planning needs to ensure that

work is done in a cost-effective manner. Last, we need long-term, predictable funding that will enable us to manage our large-scale programmes over many years.

Afghanistan represents an important opportunity for the aid community. But just as we do not want to repeat the mistakes of so many other aid recipients, so we cannot afford business as usual from the aid world.

*The writer is Afghanistan's finance minister*

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