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## Afghanistan's Financial Sustainability

By Abdul Ahad Bahrami

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With Afghanistan's national revenue generating lagging, Afghanistan is continuing to rely on foreign donors for the years to come. During last year's presidential elections, the country astute financial challenge as it had huge budget deficit at a difficult juncture of time. After a difficult year, now government officials say that the country has been able to resolve its budget deficit problem by resolving international aid payments. According to the Minister of Finance Eklil Hakimi, \$800 million will soon be included to national budget from the American aid pledge for Afghanistan. In remarks to the Wolesi Jirga MPs, Hakimi said that the donor funds were subject to agreement of the International Monetary Fund (IMF), and that the issue is resolved after an Afghan delegation negotiated the matter with the IMF.

The last year presidential elections, which lasted for months, caused a serious blow not only for international aid for Afghanistan but also for the country's national economy. As the election dragged on, Afghanistan suffered hundreds of millions of dollars in losses as result of the nationwide economic declining. With the national revenue generation declining, the government announced that it needed urgent bailout from the international donors. For months, the government had been unable to pay monthly wages of thousands of its employees. The government's announcement of its ability to resolve the issue of budget deficit comes as a major step forward. It suggests success of the National Unity Government's economic programs and initiatives to get sufficient funding for the country. However, the National Unity Government (NUG) has been in difficult situation to make ends meet for national spending and to get the economy on track.

Over long-term period, Afghanistan needs to have sufficient revenues from national resources to stand on its own as the international funding is gradually declining. The international community, particularly the United States, have made concrete pledges to provide aid until 2017 to cover Afghanistan's military expenses and parts of the country's national budget. The commitment of the international donors after 2017 is not clear. The donor countries are increasingly getting reluctant to prop up the government in Kabul through funding collected from their tax-payers. The United States and other major donors for Afghanistan may continue their funding to some extent for the government of Afghanistan after 2017. However, the level of international aid will definitely decline over years.

A sharp fall in international funding will create enormous challenges for the government of Afghanistan. This is a real scenario particularly if Afghanistan fails to develop viable sources of national income in the coming years. A quick halt to the international aid could plunge the Afghan government into an abyss of grave challenges in areas of security, day-to-day government administration and development affairs. Given the multitude of financial constraints for the Western capitals including Washington, it is highly probable for the donor countries to limit their aid delivery to Afghanistan.

The Afghan government hopes to be able to develop mining and other revenue generating sectors in the upcoming decade. The mining sector is the most promising area to help the country cease its reliance to international aid. However, it will take a long time for this sector to develop and to be sustainable source of revenue for the country. Afghanistan is still far from having the vital infrastructure such as roads and electricity power to quickly develop its mining sector. It is assumed that the untapped mining sector can bring billions of dollars in earnings once developed. Despite considerable investments of multinational companies, Afghanistan has been lagging in attracting efficient foreign investments for extracting its underground reserves.

In short term, Afghanistan needs international aid for meeting its military and development expenses. To be able to receive the crucial aid from the international donors, the NUG needs to be fully accountable and transparent as this is one of the key terms for the continued supports of the international donors. If the government manages to successfully fight embezzlement and curtail corruption, there is a chance for the country to get the pledged funding from the donors for the years to come. If the government fails to meet its commitments to the international community in fighting corruption, the donors' interest to back the government in Kabul will further wane over time.

Afghanistan's relation with its major financial allies is key for the future financial and economic stability. The United States has been the largest donor to Afghanistan in the post-Taliban era. As part of the Kabul-Washington bilateral strategic agreement, the US has committed to continue supporting Afghanistan's security sector and its development for the next decade. However, the relations between Kabul and Washington has seen ups and downs during recent years of former president Hamid Karzai's ruling as he refused to sign a security agreement with the US. It risked a robust relationship between the two countries which is vital for survival of Afghanistan against the hard-headed insurgency. In addition to seeking investments from regional countries, Afghanistan needs to develop robust relations with its key international backers such as the United States and the European Union.

