

Global Economic Governance Programme - Good Governance and Donor Coordination - Wednesday, 9 March 2005, IDRC, 250 Albert St, Ottawa

Ashraf Ghani – Summary of Comments on Donor Coordination in Afghanistan

Political Process – the Importance of Multilateralism

In Afghanistan, political, economic and military/security issues all had to be addressed. The political process was time-bound – it was important to increase the legitimacy of the emerging government of Afghanistan quickly after the end of the Bonn process. The UN led this process, which was crucial (Iraq provides a clear case of contrast).

Multilateralism created a space for political interaction. The UN's convening power was very important (e.g. gave more credibility to the traditional Loya Jirgas process, and then to the elections). The UN special envoy had a high degree of credibility, and the UN was generally seen as legitimate by the people of Afghanistan. This all allowed a steady process whereby the government gained political legitimacy in a series of stages.

Economic/Development Process – Gaining Control of Budgets and Policies

In terms of economic and social development, the impact of external players was quite different. Afghanistan was able to call on the expertise of international figures (such as Paul Volcker), which was a considerable help to the process of rebuilding economic institutions etc. This approach should be encouraged elsewhere. However, the economic development process started with an entirely donor-driven needs assessment, which was not accurate or effective. The UN agencies did not recognize the importance of building up the sovereignty of the Government of Afghanistan – they wanted to take on many of the functions of government themselves. Initial funding allocations for quick impact projects more or less ignored the government – who received only \$20m in funds, whereas UN agencies and NGOs received around \$2bn.

So what was the alternative?

The Ministry of Finance prepared a national development framework - this brought other work on strategy (by donors etc) to a halt. The government budget was established as a central instrument of policy, and sectoral consultative groups were set up. The Ministry of Finance set rules for donors – no donor was allowed to work in more than three sectors, and had to give \$30m to each of those three sectors before consideration would be given to expansion to a 4th sector. This reduced the fragmentation of donor efforts. National programmes were developed which aimed for consistency across the country. Transparent selection processes were used to decide which districts would first receive funding for the implementation of these programmes.

The Government established economic credibility quickly – within three years it had:

- transformed the currency;
- improved budgetary reporting;
- established fiscal credibility;
- unified government accounts;

- reformed Treasury payments;
- given autonomy to the central bank;
- reformed customs; and
- centralized revenue functions.

This opened the way for real credibility with donors – programmes were agreed with the IMF, World Bank and Asian Development Bank, and the Government was able to deliver 100% compliance because these programmes were ‘home grown’. Most donors now route funds through the central government budget (although the US, Japan and Germany still implement programmes directly). Afghanistan should aim for a single budget within 5 years.

Afghanistan published all accounts from an early stage, despite resistance from the UN agencies. Donors, NGOs and UN agencies are often not held to account against their own rules of transparency and openness. When it comes to contracting/procurement in particular, it is essential that donors make their own commercial interests subservient to principles.

In Afghanistan, the military were won over to the state building process – a consensus was built among the different forces that the civilian institutions of state were essential to delivering security. The military have been successfully harnessed to support state building into the future – e.g. securing the integrity of Afghanistan’s borders.

Current Position – Establishing Sovereignty

Last year, the Government of Afghanistan was able to present their own fully-costed bid for resources to donors. This established Afghanistan’s sovereignty – the Government was able to demand appropriate funding on the basis of its own development strategy. But Afghanistan is a case where there is significant global interest in successful state building – this can’t be done on the cheap. Either lots of time or lots of resources are required.

Canada has been very helpful in this process in Afghanistan – for example in establishing a trust fund to pay for recurrent government costs, supporting the Afghan national development programme and leading ISAP effectively.