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Humanitarian Assistance, Reconstruction & Development in Afghanistan: A Practitioner's View

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The Challenge

At the end of December 2001, Afghanistan found itself almost at peace after two decades of war. Not only was public infrastructure and private property severely damaged, but the institutions of state and private commerce had been shattered by war, communism and neglect. Even greater had been the human cost – more than two million killed, many times that number wounded or maimed for life, a large proportion of the population forced to become refugees in neighboring countries or displaced within Afghanistan, and nightmares that haunt those who have witnessed the unspeakable. The starting conditions for the reconstruction of Afghanistan have been documented elsewhere and will not be repeated here, except to note that Afghanistan's post war predicament is particularly severe compared to other post-conflict countries due to the length of the conflict, involvement of some of the world's largest and most modern military forces and the loss of much of the country's human capital².

In recent years, drought as well as war has contributed to Afghanistan's predicament. Situated at the meeting point of European and Asian weather systems, Afghanistan has an arid climate with limited, often unpredictable precipitation. For three of the past four years the country has undergone severe drought, and although precipitation partly recovered in 2002, some regions remain in severe water deficit.

One sometimes forgets that even without the war, Afghanistan would have been a poor country. In 1980, GDP per capita was \$187 or around \$360 at today's prices, roughly the present income level of Bangladesh. If Afghanistan had grown at the average rate as other low income countries during the war years, its per capita GDP today would be about \$550, about the same as Armenia, Cameroon, Lesotho, Papua New Guinea, and Uzbekistan, well above the average for low income countries. Nobody knows the current size of the economy or population with any accuracy, but our

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² See, for example, "Afghanistan, Preliminary Needs Assessment", Asian Development Bank, United Nations Development Program, World Bank (January, 2002).

greatest estimate is that per capita GDP is currently about \$200, similar to Sahelian countries such as Chad and Mali and half the average for low income countries. With a population of 22 million, total GDP would be around \$4.4 billion, making the economy about the size of Albania (with a population of 3 million) or Senegal (with a population of 9 million).

The institutional challenge that Afghanistan faces is due to more than war. World Bank reports written in the 1970s show that public institutions were not strong even before the war, despite an effective tertiary education system. In addition, there is a little discussed legacy of Soviet-style socialism, a failed experiment in forced modernization that has left shells of state enterprises and some government officials who have adopted other development paradigms but retain subconscious statist instincts. This legacy was compounded by patronage-based civil service recruitment which became pervasive by the 1990s.

Reconstruction and development are made more difficult than in other post-conflict countries because the conflict is not fully over and local commanders and drug traders exert influence in parts of the country.³ The previous regime has not been soundly defeated and discredited as happened after other conflicts, but has disintegrated and gone into hiding. In many respects, the great questions of Afghanistan's recent history remain: reconciling modernization with tradition; defining roles of central and local government; and the relation of religion to the state.

Within this bleak picture there are rays of hope. Society has proven remarkably resilient and traditional institutions such as the *jirga* have survived to enable popular participation in development. The *Loya Jirga* process worked to produce a government with legitimacy and a significant number of able technocrats. Furthermore, there is great international goodwill towards Afghanistan. Afghanistan's problems are now recognized as the world's problems. Major powers have pledged to remain involved in Afghanistan's development and to provide around \$4.7 billion during the first three years of reconstruction. Most importantly, malign interference in Afghan affairs by regional states and the great powers, which has fuelled and prolonged conflict for two hundred years, seems to have become greatly reduced and hopefully will cease entirely. There is an international consensus that a stable, prosperous Afghanistan is as much an interest of the outside world as of Afghans themselves.

From Conflict to Development – Lessons of Experience

Needs and absorptive capacity Reconstruction started in Afghanistan, as in other countries⁴, with an assessment of reconstruction "needs". Such needs assessments have proven useful to mobilize international assistance around agreed priorities and to define

³ In 2002 Afghanistan is estimated to have produced 3,400 tons of opium, or 74% of world production. See UNDCCP report "Afghanistan Opium Survey 2002", (October 2002)

⁴ See for example, "Developing the Occupied Territories: An Investment in Peace", World Bank (September 1993) for an assessment of reconstruction of the Palestinian territories.

the policy and institutional framework within which reconstruction takes place. In the case of Afghanistan, the Preliminary Needs Assessment was useful in catalyzing nearly \$4.7 billion in development assistance at the ministerial meeting held in Tokyo in January 2002. Because it was prepared jointly by the major international institutions involved in Afghanistan – ADB, UNDP and World Bank – it was instrumental in forcing these organizations to work together rather than compete. UNDP also was able to orchestrate collaboration among the many UN agencies that had been providing humanitarian assistance in Afghanistan or have an interest in reconstruction. This exercise alone facilitated a smooth flow of information between humanitarian and development institutions.

However, “needs” assessments have a number of limitations:

- Defining what is humanitarian assistance, reconstruction and development is not an exact science. Humanitarian programs often finance investments in reconstruction, such as in food for work projects or quick impact projects (QIPS). Indeed the Afghan government estimates that around 60% of humanitarian assistance in 2002 went to reconstruction⁵. On the other hand, in a situation like that of Afghanistan, activities labeled as “reconstruction” often also have a significant humanitarian dimension. One of the most notable examples of a program that cannot be easily placed in either category is de-mining, which has a strong humanitarian element but also is an essential ingredient of reconstruction. While reconstruction might be defined as replacing what was destroyed, it is obvious that changes in development paradigms, technology and scale economies mean that this definition is too limited⁶. Since preparing detailed investment plans for the development of every sector is impossible during a rapid needs assessment, it follows that these assessments may of limited use in preparing investments at the level of sectors and locations.
- As in any economy-wide investment study, the overall quality is as good as the quality of sectoral analysis which underpins it. It is unusual for good sector studies to be available to enable an overall investment program to be built from the bottom up. Furthermore, we found in Afghanistan that the priority was to prepare investment programs and projects at the sector level to enable reconstruction to begin, rather than to refine the preliminary needs analysis. Aggregation and final prioritization of investment and reconstruction would be through the government’s budget process.

⁵ See the paper “Transitional Government: Preliminary Analysis of Aid Flows to Afghanistan” prepared by the Afghanistan Assistance Coordination Authority (AACA) presented to the Implementation Group meeting in Kabul in October 2002.

⁶ For example, new drugs and changes in the philosophy of medical care mean that tuberculosis can be treated at home and rebuilding tuberculosis hospitals to cure this disease is now not necessary. Several badly damaged small power stations might be replaced by one new efficient plant with capacity to meet future, rather than pre-conflict demand.

- The Preliminary Needs Assessment for Afghanistan did not integrate the funding requirements for humanitarian assistance which had been and were expected to remain financed through an appeals mechanism orchestrated by the UN. As mentioned before, there is some overlap between humanitarian relief and reconstruction, there is at least some fungibility in donor budgets for relief and reconstruction and donors did not respond well to multiple appeals for Afghanistan.⁷
- Needs assessments almost always overstate the absorptive capacity of the new post-conflict administration but this may build in some cushion to allow for uncertainty. Given the uncertainty about the membership of the new government and the performance of the administration, the natural tendency of outsiders is to give them the benefit of doubt. Also it is not unusual for donor pledges to be slow in being paid. Such risks can be managed by adjusting funding commitments as implementation performance unfolds.
- Needs assessments are usually written by outsiders and are not necessarily owned by the new administration. Public participation is usually limited with the risk that the analysis is perceived as well-intentioned paternalism. Consequently, programs and projects frequently undergo adjustment when the ideas of donors and technocratic nationals meet political reality on the ground inside the country. This happened rapidly in Afghanistan as the Interim and Transitional authorities articulated their priorities in the National Development Framework⁸ and National Development Budget within weeks of their coming to power.⁹

The magnitude of funding needed for Afghanistan's reconstruction was controversial. Representatives of the Afghan authorities were concerned that the amounts in the Preliminary Needs Assessment were too low, particularly in relation to Bosnia, East Timor and Kosovo. Some donor governments had the opposite concern that the likely calls on their budgets would be too high. Some validation was made by comparing the Afghan needs assessment financing projections with data for other post-conflict countries which suggested that the funding identified for Afghanistan was in the right order. Although this paper is written at the midpoint of the Afghan year 1381, preliminary indications are that the funding requirements presented in the Preliminary Needs Assessment, other than recurrent budget support, were about the right magnitude. However, much of the aid has been used for non-investment humanitarian assistance that

⁷ UN agencies have recognized this overlap between UN humanitarian relief and reconstruction and have postulated the 4Rs (Repatriation, Reintegration, Rehabilitation, & Reconstruction) as a mechanism to coordinate post-conflict assistance and as a bridge between UN agencies and the development finance institutions. Coordination of relief and reconstruction is complicated by institutional factors in the donor countries where UN agencies with a comparative advantage in providing humanitarian assistance relate to foreign ministries, while development assistance institutions may relate to finance ministries. Donor coordination may require internal coordination within donor governments as well as between donor countries and international institutions.

⁸ Afghanistan Interim Authority "National Development Framework" (April 2002)

⁹ Transitional Government of Afghanistan, Ministries of Planning, Reconstruction and Finance, "Working Draft Plan and Budget for the 1381-82 National Development Programme", Kabul (October 10, 2002)

was not included in the Needs Assessment. Using rough information, the needs assessment overestimated recurrent budget support at \$700 million for SY1382, compared to the deficit in the April budget of \$400 million. Although donors have to a large extent delivered on Tokyo pledges, the majority of assistance went to humanitarian activities (not included in the Preliminary Needs Assessment), and the bulk of both reconstruction and humanitarian assistance especially, neither went through government budget channels nor within the National Development Framework.

Transition to development takes place typically in three stages: *First*, resources are channeled to *emergency relief*, usually through UN agencies and NGOs, and this phase may take place during the conflict and assist refugees outside the country as well as those suffering inside. Such assistance provides food, shelter and basic health care, and can provide reconstruction or development type assistance if the conflict is prolonged and government capacity is weak. *Second*, resources shift gradually to *reconstruction* the reinstatement of services on an emergency basis that cuts through the bureaucracy of both donor and recipient. *Third*, the transition to development takes place when the post-conflict country returns to normal: the economy is stable and generates resources to operate government and allows private sector investment takes place; aid flows are at typical levels and borrowing exceeds grant assistance.

Analysis of 27 countries that were in their first decade of post-conflict economic recovery in the 1990s by Collier and Hoeffler show that during the first three post-conflict years absorptive capacity for aid is no greater than normal. However, in the next seven years absorptive capacity is double its normal level and there is an average spurt in economic growth or around two percentage points per annum, which peaks during the 3rd to 7th years and then tapers off.¹⁰ They conclude that ideally the pattern of aid disbursements should rise during the first four post-conflict years and then taper back to normal levels by the end of the decade. This rarely happens in practice as aid commitments tend to be highest right after the end of the conflict when the country is in the news headlines.

Collier and Hoeffler also find that as in other countries, aid effectiveness and absorptive capacity for aid depends on policy and institutions, “the better the policy, the larger is the growth spurt”. They also conclude that social policy is the first priority for improvement, followed by structural and macroeconomic policies in that order. This is not to say that macro or structural policies don’t matter, just that social policy followed by structural reforms are of relatively higher priority if the scope for policy reform is limited.

How does this model align with the reconstruction of Afghanistan? Both the Interim and Transitional administrations have given priority to the general policy and institutional environment (see below) which should lead to above average aid effectiveness. There is anecdotal evidence that the growth spurt has begun, especially in

¹⁰ Collier, Paul and Hoeffler, Anke, “Aid, Policy and Growth in Post-Conflict Societies” World Bank (May 2002)

cities where security is good, and recovery of agriculture from drought and reconstruction associated with humanitarian relief has stimulated the rural economy. Social policies have been given priority especially through the back to school program, removal of gender discrimination policies of the Taliban administration, and the launching of the National Solidarity Program, a community driven investment program implemented at the village level, and the labor intensive public works program which will provide 2 million work days during the winter of 2002-03. It would probably have been better to delay the currency reform, and have used an international currency as medium of exchange, which would have lowered the administrative burden on the government and simplified macro policy, had there not been strong political reasons for a new national currency.

Stimulating the private sector, which includes agriculture that accounted for 54% of GDP in 1980, is the key to providing jobs and sustainable prosperity for Afghans. Exports that will reduce dependence on aid inflows will come from traditional activities such as fruits, nuts and carpets, or new industries such as ready made garments, or services such as transit trade or tourism. Reconstruction itself will jump-start the private economy, especially in the construction and building materials sectors. However, the foundations for a thriving private sector need to be laid: clear laws and regulatory arrangements that are predictable and minimal to protect the public interest; fair dispute resolution processes, simple, predictable taxes and customs duties; streamlined government; and a functioning financial sector. Some progress has been made in these areas, particularly the new investment law, abolition of all taxes on exports, reforms planned in tax and customs administration, and foreign banks are being invited to Afghanistan, but much remains to be done. Afghanistan has a long trading tradition and Afghan entrepreneurs have been successful abroad. But international experience is that successful nationals abroad are businessmen first when it comes to investing at home. Establishing the right environment will be critical to attracting long term private investment. In addition, creating a well educated, healthy workforce through improving both the access and quality of education and health services is a necessary part of developing the private sector.

Defining the role of government The Afghan government wishes to rationalize the role of government that would focus ministries on their core policy functions, shift service delivery to the non-governmental sector, restructure commercial activities of government departments as companies and ultimately privatize them, and have transparent regulation when competitive markets are not feasible. Realizing this vision presents a challenge for donors who are themselves public officials and which may have legal impediments to funding private sector development. There are huge risks that well intentioned donor support could revive and strengthen inefficient public enterprises and the vested interests that go with them, Inefficiency and poor governance could be imbedded into the Afghan economy. For example, donating refuse collection trucks or buses to a barely functioning municipality could lay the basis for unsustainable municipal departments where there is insufficient cost recovery or institutional capacity so that vehicles lie idle for lack of maintenance.

In the short term there is an additional issue of the extraordinary difference in the cost of capital between public and private sectors. For the next few years the cost of capital to the government will be very low, probably around 1%, since grants or highly concessional loans are available in excess of the supply of projects ready for implementation. On the other hand, the risk adjusted cost of private capital is high – investors will likely seek ex ante returns of at least 25%. Yet the opportunity cost of capital based on the returns of the marginal project is also very high. There is a short term shortage of bankable projects while preparatory activities are carried out, and rates of return of rehabilitation projects tend to be high. For example, World Bank staff have conservatively estimated the rate of return of rehabilitating the Kabul – Salang – Doshi road at more than 30%. The challenge is to channel public, i.e. donor, funds to activities that are consistent with the medium term role of the state, e.g. through government leasing donor funded assets to private operators, while creating space for private investment to grow.

The combination of abundant, cheap public capital from aid flows and weak implementation capacity following suggest that private-public partnerships will be effective in delivering services to the people of countries emerging from conflict. There is a spectrum of institutional options ranging from twinning arrangements, contracting out management, leasing public assets, concessions and direct foreign investment. There is also a range of potential private sector participants which includes local and foreign NGOs, to large international infrastructure companies, to foreign banks. Early examples of private participation in Afghanistan include the two mobile telephone companies, purely private investments, and the investment of the Aga Khan Fund for economic Development in the First Microfinance Bank of Afghanistan. Further examples include the proposal to contract out district health services to NGOs. Selecting private partners through transparent, open competition is critical for both service delivery at lowest cost and to ensure that agreements can sustain scrutiny and be politically sustainable. The process for awarding the second mobile telecommunications license is an example of this and demonstrates that competitive selection of private partners is feasible for service delivery in Afghanistan.

Empowering the people Ownership is the key to any successful development activity, but how to ensure ownership when government capacity is weak and government authority is challenged by local power centers that lack legitimacy? One solution is to bypass the government and provide services directly through NGOs, UN agencies, or donor controlled contractors. However, such services often turn out to be supply driven and not what the beneficiaries want. Furthermore, these delivery approaches may be inefficient – too expensive to scale up, high overheads – or lack transparency and accountability, as the Afghan authorities have reminded the donor community. What is acceptable during conflict and its immediate aftermath may later become unacceptable. If the purpose of reconstruction is to improve the welfare of the people it is reasonable to expect the people to have a say in how reconstruction is planned and takes place.

Afghanistan has attempted to resolve these issues through the National Solidarity Program which involves communities directly in reconstruction activities that affect them. Such *community driven development* requires first social mobilization to empower the community to articulate its priorities and to make choices within the resources available to it. The community is then funded to implement its projects. Keys to successful community driven development programs are mobilizing the community to action (often with the help of NGOs), providing them with technical and other support needed to implement their projects, ensuring that funds go to their intended purposes, determining that project outcomes are achieved, and feeding back lessons of experience to adjust the design of the program. UN Habitat has been selected as the government's agent to help initiate implementation of the National Solidarity Program, working in partnership with a number of NGOs. Funding is being provided by donors and the World Bank. Agencies formerly providing humanitarian aid, and the networks of community organizations which they have mobilized, become the foundation of reconstruction. In many ways, community driven development programs are another example of public-private partnerships, public money and private delivery which enables cheap public finance to combine with the efficiency of private provision of services.

Challenges for Afghanistan

Creating a secure environment is a prerequisite for reconstruction and development, yet development is often said to be a necessary condition for security. Afghanistan is unusual in that reconstruction is taking place while security issues remain unresolved. Not only does instability arise from the unfinished aspects of war, but also from criminal elements that flourish amongst the opium trade and smuggling. Crime in Afghanistan takes place in an environment where all kinds of weapons are available. Creating a secure environment for development to take pace is a key issue for Afghanistan. The obverse of this is the role of development in creating conditions for peace and stability.

The causes of the conflict in Afghanistan are complex and a product of ideology, religion, culture and geography. The 1978 communist coup d'état which precipitated twenty years of war developed out of unrest on both sides of the political spectrum. Traditionalists reacting to modernization and centralization of authority that threatened village autonomy and communists resenting the drifting of the Daoud regime from the Soviet Union.¹¹ Other relevant theories of civil conflict draw analogies with organized crime where income is generated from rebellion.¹² While underdevelopment or poverty is often stated to be the cause of conflict, the reality is that ethnic and religious divisions, tensions between modernists and traditionalists, religious orthodoxy and the state, tribes and central government, as well as conflicting political ideologies, and rent seeking fuel civil conflict. While it may be true that increasing wealth is a disincentive to conflict it is not apparent that rising incomes are sufficient to deter conflict. This is as true for Afghanistan as anywhere else: development may create an environment conducive to

¹¹ See Goodson, Larry P. "Afghanistan's Endless War" University of Washington Press, 2001

¹² See Collier, Paul & Hoeffler, Anke, "Greed and Grievance in Civil War", World Bank Policy Research Working Paper No. 2355 (May, 2000)

peace, but it is naïve to believe that development will automatically lead to peace and tranquility.

Yet the converse seems more plausible: without peace development will proceed slowly. Without peace the risks of investment remain high. Economic relations become difficult in an environment of violence. Security seems essential for development, but it is unclear whether development is sufficient to ensure security. Whichever way causality runs between security and development, most Afghan and foreign observers consider that expansion of the military resources available to support of the central government would enable scaling up of reconstruction of the country.

Quality government Research has confirmed that good government, effective institutions and sound policies are essential to development and effective use of aid.¹³ Building institutional capacity is needed not only to implement reconstruction and development programs that are owned by the country, but also to ensure good governance. As mentioned above, aid effectiveness depends on good policy and institutions. The legitimacy of the government in the eyes of its people depends on its ability to provide services and their perception that funds are being well spent. Furthermore, continuing high levels of donor support to Afghanistan depend on donor confidence that their taxpayers' funds are achieving results.

Achieving good government raises a number of issues in Afghanistan:

Civil service reform While the size of the civil service in Afghanistan is not excessive in relation to its population, many civil servants lack the skills needed for a modern government. Creating a modern civil service requires improved incentives – fundamental reform to the remuneration system, transparency in appointments, transfers and promotions, management for accountability – as well as refocusing and streamlining the role of government itself. Many current civil servants have served their country loyally during war and upheaval. Streamlining government cannot take place without a social safety net and options for retraining. The challenge for Afghanistan is how to transform the civil service, which will require expenditures to make salaries of skilled staff competitive with the private/NGO sector and to fund the social costs of those public employees without the necessary skills, at a time of severely curtailed budget resources. Capacity Building Groups are intended to create skilled capacity without incurring large costs. But this is a partial solution that provides temporary capacity pending more comprehensive civil service reform.

Accountability for funds not only creates conditions for aid effectiveness but also enhances the credibility of authorities in the eyes of the people and donors. In Afghanistan the government decided to put three agents in place for procurement, financial management and accounting, and audits. These functions were contracted to international firms and financed by a World Bank grant. All activities funded by the central government fall within the scope of the three agents. The ultimate test of these

¹³ See World Bank “Assessing Aid ” (1998)

agents will be when they exit and whether they leave behind trained Afghanis to continue these functions.

Special institutions for aid coordination & implementation The Afghanistan Assistance Coordination Authority (AACA) was established to coordinate aid flows and to assist line ministries to implement reconstruction activities. Such institutions have supporters and detractors. Proponents see these organizations as essential for achieving quick results with accountability. Detractors see them as retarding growth of government and becoming unaccountable especially as they mature. AACA has already undergone changes after existing for only six months. It seems that a new director will be appointed shortly and that it will serve as a secretariat for the ministries of finance, planning and reconstruction. The challenge for AACA will be how it supports government rather than substitutes for it and how it manages to wind itself down as it transfers functions to line ministries

Humanitarian relief to development – a trade-off between consumption & investment?

Officials of the government of Afghanistan have questioned the balance between humanitarian and other assistance for reconstruction and development for three reasons. *First*, funds going to investment generate a stream of benefits into the future, while humanitarian assistance goes to current consumption. *Second*, humanitarian assistance deals with the symptoms of the problem rather than its causes. People remain vulnerable unless their livelihoods are restored and conditions are created for permanent employment. *Third*, humanitarian assistance is often “in-kind”, e.g. food aid, and this retards development of the monetized economy, and may even create excess supply that lowers prices and acts as a disincentive to local production. Few would question aid going to those on the brink of starvation or to vulnerable groups such as widows and children. However, there are issues when significant proportions of assistance go in food rations to civil servants, or laborers in public works projects, or to support incomes of families who have low incomes but would otherwise survive.

In the first instance, a dollar spent on consumption will increase income the same amount as a dollar spent on investment. However, the investment dollar will have a much stronger multiplier effect, will generate a stream of income in the future, and will drive sustained GDP growth. Aid flows have a very significant impact in relation to the size of the economy. In the current year 2002/03 (SY1381) aid commitments are in the order of 25% of GDP of around \$4.4 billion, but actual aid expenditures (disbursements or goods supplied in-kind) are less. Inflation caused by supply constraints would also lower the impact of aid flows on real economic growth. Available economic data for Afghanistan are speculative and include only the legal economy – the gross value of opium production at the farm could amount to as much as \$1 billion, more than 20% of GDP¹⁴.

Given that Afghanistan is receiving levels of aid that are likely to be above long term average levels, a strategic choice for the government how to balance between

¹⁴ Bank estimate based on data from UNDCCP op. cit.

supporting the consumption of the current generation against setting part of this windfall aside for investment that will raise the welfare of future generations. This is essentially a political decision that can only be made by Afghans.

Role of humanitarian agencies in reconstruction and development Humanitarian agencies stepped into the administrative vacuum created by civil war and were able to provide services that governments were unable to provide and were able to help avoid widespread famine. Efforts of UN agencies and NGOs were able to prevent large scale loss of life. These are considerable achievements, given the conditions in the country during the war. Since these organizations substituted for government, it has not been surprising that tensions have occurred after a legitimate government was created, especially a government with a clear vision and strong ideas. Government wants to ensure that it gets credit in the eyes of the people for service provision and that all development activities are consistent with national priorities. NGOs and other service providers want to escape from under the dead hand of government bureaucracy and provide services that they consider to be close to what the people want. Government sees other service providers as being inefficient and wasting resources in high overheads. Non-government service providers are concerned that funds would be lost through corruption and inefficiency in government administration.

How should the role of humanitarian institutions evolve as local institutions and national government capacity increase? Official development assistance essentially flows from one state to another, and it is difficult for a donor government to ignore the wishes of a recipient government that is capable of spending the aid efficiently and transparently.

Private charitable organizations operate outside government and are difficult to regulate. However, there seems a genuine public interest in ensuring quality when consumers of services lack information to assess quality themselves, e.g. in health services or perhaps education, or when services threaten the security of the state, e.g. when private schools indoctrinate ethnic hatred.

The emerging consensus within Afghanistan on these issues is that service delivery should be competitive when government or donor funds are financing services. For example, there is a plan to contract out delivery of basic health services at the district level. An NGO or UN agency would bid to provide services that would be funded by donor money under the control of the government. Health service outputs, e.g. numbers of children vaccinated, would be monitored against contractual requirements, as well as health outcomes such as infant and maternal mortality. Government would be accountable to the people for providing the service, and the contractor would be accountable for delivering it. Donor funded NGO and UN programs would become part of the development program for the sector and these organizations within the country would evolve towards services providers that would eventually become indigenous organizations operating on non-profit or commercial basis. The same arguments for transparency, efficiency and accountability that apply to the for-profit private sector can also apply to other service providers, which is leading the government towards soliciting

service providers through competitive bidding with monitoring of outputs and outcomes specified by contract.

Future aid architecture The organization of foreign assistance to Afghanistan has been even more complex than other post conflict situations due to the multiple political interests of donors. It had its origins in November 2001 before there was a government which could speak on behalf of the Afghan people. Prior to then, the Afghanistan Support Group (ASG) coordinated humanitarian assistance and the UN appeals for Afghanistan. Out of the November meeting evolved two new fora for aid coordination: the Afghanistan Reconstruction Steering Group (ARSG) chaired jointly by the United States, European Union, Japan and Saudi Arabia which was intended to provide overall direction to the reconstruction process and resolve political issues; the Afghanistan Reconstruction Implementation Group (IG), chaired by the Asian Development Bank, Islamic Development Bank, UN, World Bank and the chair of the ASG, intended to be a Kabul-based forum for those involved in implementing projects. As well as regular meetings of these three groups, there was a plethora of conferences and seminars on Afghanistan, many of which were supported by donor governments.

While this architecture may have been well conceived several issues arose from the beginning.. *First*, mid-sized and smaller donors questioned the domination of the ARSG by the large countries, given the role of ARSG in mobilizing funds and setting overall priorities for donor assistance, and argued for a more conventional consultative group to be established. *Second*, the humanitarian and development aspects of Afghanistan's reconstruction were not well integrated since the ASG was a parallel donor forum, although the chair of the ASG was one of the vice-chairs of the Implementation Group.. *Third*, the ARSG, which provided the political umbrella for assistance to Afghanistan, was challenged to resolve the issue of security, particularly the expansion of ISAF beyond Kabul, which required countries willing to lead and provide troops. *Fourth*, as there was no government when the aid architecture was established the role and organizational preferences of Afghanistan were left out in the original design, yet the government was able to claim its role as early as the first meeting of the IG in Tokyo in January 2002 and effectively chaired the April 2002 IG meeting in Kabul. *Fifth*, NGOs were left out of the formal structure, although NGO representatives were invited to side meetings and to speak at IG meetings.

Despite these difficulties the aid coordination arrangements had some considerable successes, particularly mobilizing donor commitments to Afghanistan's reconstruction in Tokyo, funding the government recurrent budget and serving as a forum for the government to articulate its strategy and claim its rightful place "in the driver's seat".

Organization of assistance is evolving into a one or two tier structure. The IG and ASG are merging into a Consultative Group chaired by the government which is planned to meet for the first time in early 2003. The Consultative Group will also include NGO participation and would have local aid coordination groups meeting in Kabul to discuss sectoral programs. The future of the ARSG is less clear, although a case can be made for

a political umbrella body as there are issues such as security, constitutional reform, human rights, and drug control which do not fit easily within the charters of the development organizations which support much of the reconstruction and development effort. Also, the ARSG has proven itself effective in mobilizing donor funds.

There are legitimate concerns that humanitarian assistance needs could be lost if there were tighter integration of the humanitarian and development sides of post-conflict relief and humanitarian and development appeals to donors were consolidated. While we would argue that the government should be in charge of aid coordination, appeals to donors and consultative groups, governments are usually supported by multilateral organizations in these functions. In the case of Afghanistan, UNAMA is responsible for coordinating much of the humanitarian assistance provided by UN agencies and could be the focal point to support the government in these areas. In addition, the international financial institutions could provide support on the development side.¹⁵

Coordinating specific reconstruction activities at either the sector or project level has been difficult in practice. The Preliminary Needs Assessment was a good start and some progress was made later in early 2002 through joint sector missions of multilateral and bilateral organizations. However, it took time for the government to establish and staff AACA and this organization ran into resistance from line ministries. With security preventing many donors to move outside of Kabul, lack of government capacity to prepare projects, and no clear mandate for other organizations to do so, there was some competition among donors to prepare and implement projects. The low point was probably the April 2002 IG meeting where donors presented uncoordinated lists of projects. However, at the same meeting the Government unveiled its National Development Framework and six months later, the new Transitional Administration was able to present a development budget agreed by the cabinet.

In a paper presented in November 2001, the World Bank set out its views on how assistance might be coordinated¹⁶. The instrument for aid coordination was the government budget, a rolling multiyear framework of national priorities endorsed by the government. Donors would be encouraged to fund the budget directly and avoid “projectizing” assistance except when projects were large, e.g. national highways. To avoid overburdening the government with administrative requirements and to provide transparency and accountability in the use of funds, a multi-donor trust fund was recommended to finance both the recurrent and development budget.

Coordination through the budget and use of a trust fund are in the process of implementation. Government has announced its development budget in October 2002 and has challenged donors to provide finance for these priorities. The Afghanistan Reconstruction Trust Fund (ARTF) became effective in May 2002. Some donors are

¹⁵ These issues also touch on broader questions of UN reform, such as the extent to which UNAMA should coordinate UN agencies, for example, through UNAMA mobilizing and allocating funds for UN agencies. There have been several attempts to reform the organization of the UN system as it adapts to changing conditions in Afghanistan.

¹⁶ See World Bank, “Afghanistan. World Bank Approach Paper” (November 2001)

channeling nearly all their non-humanitarian assistance through ARTF. More than \$200 million has been mobilized for SY1382 (2002/03), mainly for recurrent budget support and this is significant in relation to the recurrent budget deficit of \$400 million.

Conclusion

The huge effort facing Afghanistan as it moves through the transition from emergency relief to reconstruction and development will challenge those assisting the country to think and operate in new ways. Yet the lessons from other countries which have gone through this transition successfully can give Afghans hope. Despite the low starting point in almost every indicator, Afghanistan does have an able government which has presented a compelling vision and programs and budgets to realize it. There is a comprehensive development program and the consultative group mechanisms are evolving to coordinate and increase the effectiveness of the development assistance available to Afghanistan. Afghanistan has a strong economic team but government capacity is presently weak. Under these circumstances, programmatic assistance is more likely to achieve results than project support which places high administrative demands on senior officials. Fragmented assistance is difficult to reconcile with strategies that embody national priorities. Programmatic assistance requires sound fiduciary arrangements to be in place. In the case of Afghanistan, these functions have been contracted out to internationally reputable firms. The ARTF is an available instrument to mobilize and simplify funding and reporting during the initial years of the reconstruction program. Finally, UN agencies and NGOs have built capacity when they were supplying humanitarian assistance that can be redeployed to the reconstruction effort as humanitarian needs diminish and the development dimension of these programs is integrated into national programs.

It is only ten months since the Interim Authority rose out of the Bonn agreement and it is premature to make definitive judgments on the success of the reconstruction of Afghanistan. Risk of a descent into chaos and violence is always present, but a good start has been made. There is every possibility that Afghanistan can rise again on a trajectory of peace and prosperity which the people of Afghanistan so strongly desire.