

**AFGHANISTAN**  
**WORLD BANK APPROACH PAPER**  
**November 2001**

**EXECUTIVE SUMMARY**

*The Challenge*

1. Afghanistan—suffering from more than 20 years of conflict, a three-year drought, loss or degradation of most of its infrastructure, depletion of its human resource base, and erosion of social capital—is one of the poorest and certainly the longest-suffering country among the members of the World Bank. With an estimated seven million people vulnerable to famine and millions already displaced from their homes (domestically or as refugees to neighboring countries), Afghanistan faces a dire humanitarian emergency. This requires an immediate, concerted response from the international assistance community (led by the UN). In addition the political situation in Afghanistan is fluid, and what will emerge in the short run is hard to predict.

2. Nevertheless, the time is ripe to prepare for Afghanistan's post-conflict reconstruction. Political developments, humanitarian relief, and reconstruction are likely to overlap both in terms of time and in terms of concrete activities. Moreover, the transition from the current primary focus of the world community on political and humanitarian issues to reconstruction needs to be seamless. The World Bank's approach on Afghanistan therefore focuses on planning and management of reconstruction. It builds on our ongoing engagement with Afghanistan through a pro-active "Watching Brief" program in partnership with other members of the assistance community. Continuing collaboration and cooperation with the UN system and the rest of the aid community will be essential for success.

3. **Mechanism:** Once peace comes and a legitimate government is in the making, Afghanistan needs a mechanism to manage reconstruction. Based on experience with reconstruction elsewhere, a sensible approach for Afghanistan would be the establishment of necessary external and internal mechanisms:

- The external mechanism could take the form of a **trust fund** (without earmarking or tied funding), administered by an organization which has the capacity to provide professional approaches to assistance strategy formulation, project appraisal, financial management, procurement, environmental and social safeguards and donor coordination.
- The internal mechanism could be a "**reconstruction agency**" of the government, staffed largely by Afghan professionals, with a "sunset clause" to avoid it becoming a bloated bureaucracy.

4. **Cost:** Although it would be premature to put a price tag on Afghanistan's reconstruction needs before making a detailed assessment, the costs are expected to be high. Moreover, in

Afghanistan reconstruction cannot be separated from longer-term economic and social development. Merely restoring the pre-1978 economic situation would still leave the country one of the poorest in the world in terms of both incomes and social indicators. This would make the task of maintaining political stability and promoting national integration very difficult and would leave Afghanistan highly vulnerable to resurgence of conflict. Population growth since the 1970s means that the pre-existing economic base and infrastructure could not in any case support the current population if most refugees return to Afghanistan. So reconstruction will need to be combined with a massive development effort: education and health, which never reached most of the population, will need to be greatly expanded; the agricultural production base will need to be enhanced to support a considerably larger population; and roads and other infrastructure will need to be extended over time to reach towns and communities away from the cities and main roads.

5. In some sectors, reconstruction needs can be estimated on the basis of past work by the Bank and other assistance agencies. For example, clearance of landmines from all mine-contaminated areas in Afghanistan could cost as much as \$500 million, but this is only one among a number of important activities which would need substantial funding during reconstruction. International experience also suggests that reconstruction will be costly. In West Bank/Gaza (population less than 2 million) a total of \$3 billion of reconstruction assistance was proposed in the first two years. In Lebanon (population 4 million) reconstruction assistance was in the range of \$400 million per year for 10 years. In Bosnia (population 5 million) total pledges (for humanitarian relief and reconstruction) were \$5.4 billion during 1995-99. And East Timor, with a population of less than half a million, is receiving \$350 million of reconstruction aid over a three-year period. The level of reconstruction assistance to Afghanistan will be also determined by the country's balance of payments and budgetary financing needs (likely to be quite large), and domestic absorptive capacity (which inescapably will be low at first).

6. Although all of the above considerations can be taken as reference points, the cost of reconstruction will emerge from the development of a workable reconstruction strategy and plan, taking into account ground realities in Afghanistan and other constraints.

### *The Bank's Approach*

7. The World Bank, in close partnership with the rest of the assistance community, aims to:
- **Formulate a reconstruction strategy and plan for Afghanistan** whose process and product would follow the model of the [Comprehensive Development Framework](#) (CDF).
  - **Design and help put in place appropriate mechanisms to fund and manage reconstruction.**
  - **Initiate full-scale needs assessments** leading to the development of detailed reconstruction plans.
  - **Develop specific plans** for areas where the Bank can be of help through financial support and/or technical assistance (TA).

8. The reconstruction plan would have both short-term and medium-term components. Examples of short-term priority areas include:

- **Agricultural recovery and food security;**
- **Generating livelihoods** for returning refugees and displaced people;
- **Supporting existing communities** through provision of basic services and small-scale development and empowerment programs;
- **Rapid rehabilitation of Afghanistan’s main road network;**
- **Expansion of the de-mining program;**
- **Massive short-run employment generation** through public works programs;
- **Re-starting and expanding key social services** like education and health, with a focus on reaching girls and women; and
- **Human capacity mobilization** for social services, infrastructure, and public administration.

9. In all of these areas, early reconstruction programs which will generate some “quick wins” need to be developed and costed. Wherever possible, successful programs already in place could be scaled up. The Bank is already engaged in several of these critical areas through its past analytical and strategy work in partnership with other members of the assistance community (e.g. food security strategy, de-mining, education). In other areas like road rehabilitation, the Bank could gear up quickly and assess needs and formulate sector strategies. In still other areas like community-based development and refugee return, there is rich experience in the international assistance community which can be absorbed and built upon. Experience with reconstruction in a range of post-conflict situations in different parts of the world also can be brought to bear.

10. Other elements of the reconstruction plan will take time to reach fruition and have an impact. Notable examples include:

- **Establishment of sound economic management institutions** (Central Bank, Ministry of Finance, Treasury, Statistical System);
- **Developing education and health systems that reach the bulk of the population** (something which has never been achieved in Afghanistan);
- **Developing a lean, effective, and honest civil service and institutions of public accountability;**
- **Urban management**, and in particular avoiding permanent large “refugee cities”;
- **Enabling environment for private sector development**—particularly to attract and productively utilize Afghans from Pakistan, Iran, and the Middle East;
- **Export development**, focusing on agricultural and livestock products and minerals;
- **Energy development and management;** and

- **Environment and natural resource management** (especially forestry).

11. The Bank has already taken a number of actions and we will take the following further steps in the near future:

- **Seek guidance from the World Bank’s Board of Directors on the development of a Bank strategy for Afghanistan;**
- **Co-host with UNDP and ADB a major conference to discuss and prepare for Afghanistan’s reconstruction**, tentatively scheduled for November 27-29, 2001;
- **Work with an informal advisory group consisting of Afghans and other outside experts on Afghanistan**, and conduct a search for Afghan professionals living outside Afghanistan, who could contribute to reconstruction;
- **Encourage the adoption of appropriate mechanisms for financing and management of reconstruction;**
- **Prepare detailed plans to deal with Afghanistan’s arrears to the World Bank (US\$23 million);**
- **Make a contingency plan for a “needs assessment” for Afghanistan’s reconstruction** so as to be ready to move ahead on this front together with other donors and assistance agencies;
- **Begin work in priority areas where the World Bank can be of direct support**, in close partnership with other relevant members of the assistance community; and
- **Develop an approach to a coordinated strategy for targeted development in “risk areas” immediately around Afghanistan.**

# AFGHANISTAN WORLD BANK APPROACH PAPER

## I. BACKGROUND

1. Afghanistan is a landlocked, mountainous, geographically remote, sparsely populated, ethnically diverse, yet geopolitically important country. It has long been one of the poorest countries in the world, falling near the bottom in terms of average per-capita income and UNDP's human development index. Nevertheless, Afghanistan was at peace between the 1930s and the late 1970s, and underwent a modest degree of economic and social development. Modernization was concentrated in the cities and towns, however, and most rural areas retained their traditional mores, governance structures, and social practices. The Afghan state remained relatively weak and had limited reach in most of the country. More than two decades of conflict since 1978, combined with the current three-year drought, have resulted in widespread human suffering and massive displacement of population (both within Afghanistan and as refugees in neighboring countries). The present in-country population is estimated at 18 to 20 million and if all refugees were to return the population would be about 25 million. Currently, an estimated seven million people are vulnerable to famine. Afghanistan's infrastructure has been destroyed or degraded; its human resource base severely depleted; and its social capital eroded. State institutions are largely non-functional, and the economy and society have become increasingly fragmented. Thus Afghanistan faces serious political problems, a dire humanitarian emergency in the short run and large needs for reconstruction and development over time.

### **The Economy of Afghanistan**

2. Afghanistan's economy is in a state of collapse. The three-year drought and resulting famine, the recent ban by the Taliban on opium production, the choking of trade via Pakistan and the massive displacement of population, have exhausted what coping capacity was left among families and civil society. The key economic institutions of State—central bank, treasury, tax collection and customs, statistics, civil service, law and order, judicial system—are extremely weak or simply missing. Basic infrastructure—roads, bridges, irrigation, canals, telecommunications, electricity, markets—have been destroyed or oriented toward the war effort.

3. Access to education in Afghanistan, and the quality of the education which is available, remain poor at all levels. With a few local exceptions, girls remain officially excluded from formal education in Taliban-controlled areas, exacerbating historical and traditional gender imbalances. As in other social sectors, official resources for education are very limited, and NGOs and international agencies have stepped in as funding and delivery agents. Demand for education, however, is high and far outstrips supply. The primary gross enrolment rate has been most recently estimated at 39% for boys and 3% for girls. Secondary and higher education, crucial to producing future skilled professionals, presents an even bleaker picture.

4. The situation in health is equally grim. According to reports at a World Bank-sponsored health workshop infant mortality is estimated by UN and NGO agencies to be one of the highest in the world at around 165 per 1,000 live births, while 257 of every 1,000 live births die before

they are five. The maternal mortality rate is estimated to be 1,700 per 100,000 live births, with nearly 99% of deliveries taking place at home and only 9% being attended by trained personnel. Only around 30% of children under one year are fully immunized, and life expectancy at birth is estimated at around 41 years of age. With Afghanistan's continuing brain drain and lack of education facilities, the number of health professionals has greatly decreased. In addition, Afghanistan probably has the largest population of disabled in the world as the direct or indirect consequence of war. A recent study funded by the World Bank estimated that in recent years as many as 500 persons per month have been victims of mine accidents and unexploded ordnance.

5. Afghanistan's pre-war economy was mainly based on agriculture and animal husbandry. The country has a low population density due to difficult topographical and climatic conditions (high mountains covering most of the country, extremes of temperatures, and arid to semi-arid climate). In 1978—the last year of peace—Afghanistan was largely self-sufficient in food and was a significant exporter of agricultural products. Agriculture was largely concentrated in narrow river valleys and plains where irrigation water from snowmelt was available. Manufacturing industry was largely undeveloped, with only a few plants established (in textiles, medicines, cement, etc.). Afghanistan's strategic position during the Cold War period made it a large recipient of foreign aid, which funded the running of the state without substantial domestic taxation. Macroeconomic policy was balanced, with budget surpluses, a market-based, competitive exchange rate and modest foreign and domestic debt. As a result of foreign aid, the country had a relatively good major road network, as well as some other infrastructure including major irrigation and hydroelectric facilities. This modern infrastructure, however, did not extend beyond the main arteries and urban centers. Social and other services (such as education and health) were largely limited to the relatively small urban sector.

6. The long drawn-out war of Soviet occupation and subsequent internecine conflict severely damaged Afghanistan's economy. By the mid-1990s, most of the country's limited modern infrastructure was destroyed, and traditional irrigation systems greatly suffered from destruction and lack of maintenance. Even more important than the physical damage was the increasing breakdown of the state and civil society over time and the progressive erosion of institutions—both modern and traditional—which had governed the pre-war economy and society. Government-provided social services, which had never had a strong outreach into the rural areas, atrophied and to a large extent stopped functioning. NGOs and UN agencies have essentially taken up the task of providing essential social services to parts of the population, building on community-based efforts in various parts of the country. Inflation wiped out the value of the Afghan currency in the 1990s, and at present the currency is printed by the Northern Alliance without any monetary control. Agricultural output came down sharply, livestock herds were depleted, and large-scale industries almost ceased functioning. Millions of Afghans became refugees in neighboring Pakistan and Iran, and to a lesser extent elsewhere. This external population played an important role in supporting Afghanistan's economy through remittances. And finally, land and infrastructure were widely and indiscriminately sown with landmines, causing enormous human and economic losses.

7. There was a modest economic recovery in the mid-1990s in areas that became largely free of conflict. Agricultural production increased; livestock herds sharply rose in numbers, taking advantage of widely available unutilized grazing lands; and horticultural production also

grew based on restoration and expansion of orchards and vineyards. Substantial numbers of refugees returned to their homes with international assistance. The economic recovery was concentrated in areas taken over relatively early by the Taliban. However, the deterioration in social services (particularly education) was aggravated by the Taliban's social policies, which largely excluded women from work and girls from school.

8. The introduction of a certain degree of stability in large parts of the country also facilitated the growth of various kinds of unofficial economic activities, most notably long-distance trade (particularly re-exports to Pakistan) and opium poppy cultivation. Although these activities had always been present, they underwent unprecedented expansion in the 1990s. Unofficial exports to Pakistan are roughly estimated to have exceeded \$2 billion in 1996, and by the late 1990s Afghanistan had become the largest producer of opium poppy in the world. Also falling in this category of economic activities is uncontrolled exploitation of natural resources—timber, gems, marble and granite, etc.—which have resulted in extensive deforestation and environmental degradation, among other problems.

9. Most recently, Afghanistan has been hit by a severe, protracted drought, which started in 1999 and has lasted until the present. Given the breakdown of the state and civil society, and consequent inability to respond adequately, this drought has led to famine. Crop production has been halved and livestock herds heavily depleted, more than erasing the modest gains of the early and mid-1990s. Large and increasing numbers of people have lost their means of livelihood and have become displaced, either internally or to neighboring countries. Malnutrition has significantly worsened, and starvation deaths have been reported. The impact of the drought, which would have been serious under any circumstances, has been aggravated by the continuing conflict in parts of the country (particularly in north-eastern and central Afghanistan), and by the run-down condition of irrigation systems and other agricultural infrastructure.

10. In sum, Afghanistan's economic structure has been gravely weakened, distorted, and made more vulnerable through two decades of conflict. Agriculture (including livestock), the most important economic activity, is highly vulnerable to natural conditions as is demonstrated by the current drought. Trade activities are vulnerable to the policies of neighboring countries, most notably Pakistan—in fact, there appears to have been a substantial decline in Afghanistan's unofficial re-exports to Pakistan in the recent past, probably reflecting changing policies and stronger enforcement in Pakistan. Remittances, another major source of income, tend to be more stable, but nevertheless they are vulnerable to changes in economic conditions in the source countries. The Taliban's recent complete ban on opium poppy cultivation, which was a positive move and has been largely effective, has sharply reduced the incomes of those small farmers and rural wage laborers who were dependent on poppy cultivation and related work. Foreign aid, another important albeit smaller source of income, has increased sharply in the wake of the drought but also is subject to fluctuations and severe logistical constraints. The ongoing conflict has led to a transformation of social and economic networks. Although the majority of the territory of Afghanistan has not been constantly at war, economic distortions and vulnerabilities affect the entire country, and there is a pervasive sense of insecurity.

11. Afghanistan's economic situation has significant regional spill-over effects—through unofficial trade, narcotics, terrorism and extremism, financial flows, and movements of people. These spill-over effects tend to undermine revenue collection, governance and the effectiveness of economic policies in neighboring countries, particularly Pakistan. The long drawn-out conflict situation, without an effectively functioning state most of the time, has led to a situation where conflict-related or conflict-enabled economic activities and structures have become entrenched, and there are significant groups who are benefiting from the current situation and therefore have a vested interest in its continuation.

### **International Assistance to Afghanistan**

12. Total international assistance to Afghanistan (in the range of \$200-300 million annually in recent years) has gone overwhelmingly for humanitarian relief purposes, much of it in the form of food aid and other in-kind assistance. Another major program has been de-mining, funded mainly through a UN-managed trust fund. Key development sectors like education and infrastructure have accounted for only a small proportion of total assistance.

13. The dominance of humanitarian assistance to a large extent reflects donor restrictions against providing funding for explicit development purposes to a country without a legitimate and recognized government. The distinction between humanitarian and development activities is very much blurred, however, in the context of a country that has been facing conflict and a “complex emergency” situation for many years.

14. Funding of assistance for Afghanistan has been spread across a large number of bilateral donors, of which by far the largest has been the USA, followed by the European Union. Most international assistance to Afghanistan is delivered by NGOs. There are about 40 sizable NGOs (i.e. annual spending of \$1 million or more each), along with numerous small and tiny entities. Much assistance passes through UN agencies to implementing NGOs, although the larger and more reputable NGOs (mostly international NGOs) attract substantial direct donor funding. In the absence of effectively functioning government service delivery or leadership, NGOs are the main actors in many sectors, such as primary education (especially for girls), rural water supply, basic health units, de-mining, and others.

15. There have been recent improvements in NGO coordination in the field, and promising steps toward what could be called sector strategizing and programming among some NGOs (for example in the case of rural water supply). However, aid delivery remains highly fragmented. There are cases of duplication, working at cross-purposes, and “crowding” on the part of both UN agencies and NGOs in response to donor demands.

16. The logistics and location structure of assistance to Afghanistan mean that it has been a difficult, high-cost endeavor. Rugged terrain and poor transport result in high transport and delivery costs; large parts of the country are inaccessible during winter. Aid management occurs at four different levels—the field; regional hubs in Afghanistan; Pakistan where most agency country offices are located; and New York and other UN agency headquarters and donor capitals. This complicates decision making and raises overhead costs. The UN system's regular

air transport operations (using chartered aircraft), have comprised, together with ICRC's plane, the only safe and reliable air transport in the country, but they are very expensive. The difficult and volatile security situation further adds to costs and aid delivery bottlenecks.

17. The problems outlined above have stimulated a number of efforts to improve the coordination, prioritization, and effectiveness of international assistance to Afghanistan, as well as to better integrate the political and humanitarian arms of the UN system. Although considerable progress has been made in some respects, these initiatives have run into constraints and limits.

18. ***Annual Afghanistan Appeal:*** Most international assistance to Afghanistan has gone through the Annual Afghanistan Appeal, together with periodic Drought Appeals in recent years. The most recent example is the much larger "Donor Alert" and appeal for \$584 million for the period of October 2001—March 2002, announced in late September 2001.

19. Although the funds contributed through the Appeal go into a massive Trust Fund, it is not a trust fund in the normal sense of the word. Virtually all contributions are earmarked for specific projects, programs, and implementing agencies, which means that (1) the Appeal provides little scope for prioritization by coordinating bodies independent from the specific funding choices of donors; and (2) the composition of overall assistance tends to be skewed, and certain important sectors—such as education—get grossly under-funded.

20. ***UN Resident Coordinator and Heads of Agencies Meetings:*** In the mid-1990s the UN Resident and Humanitarian Coordinators were combined into a single position. There are regular meetings of the UN Heads of Agencies for Afghanistan and also weekly Security meetings. The Heads of Agencies meetings are a vehicle for information sharing, discussing policy issues, coordination of public stance, etc. The Bank is invited to these meetings and participates on a regular basis.

21. ***The Afghanistan Support Group (ASG)*** is an informal grouping of the main bilateral donors to Afghanistan, which holds an annual meeting to which UN Agencies, the Bank, and selected NGO representatives are invited. The Chair of the ASG rotates among interested donors on an annual basis. In addition to aid support and making general policy statements on a consensus basis, the ASG serves as a vehicle for maintaining donor interest in Afghanistan. However, the ASG's limited membership (excluding UN Agencies and NGOs from full membership), informal mandate, and lack of a financing mechanism restrict its ability to play an effective aid coordination role. The Bank actively participates in the ASG meetings. In the most recent meeting in December 2000, the Bank made a presentation on food security strategy for Afghanistan on behalf of the inter-agency working team on this subject.

22. ***Strategic Framework for Assistance to Afghanistan:*** Initiated in 1997 as a pilot in UN reform at the country level, this was intended to provide an overall framework and guidance for a more coordinated and effective international assistance program for Afghanistan. It recognized the need for an integrated approach including peace-making initiatives, humanitarian assistance, and when appropriate, longer-term development support. The World Bank actively participated

in the early stages of formulation of the Strategic Framework, which included field visits to Afghanistan by Bank staff.

23. Although this initiative was promising and generated considerable cooperation, it ran into limitations. For example, no financial mechanism was established to back up the more thematic and prioritized approach put forward.

24. ***Principled Common Programming (PCP) and Afghanistan Programming Body (APB):*** PCP is intended to implement the Strategic Framework. It emphasizes that certain basic principles need to flexibly guide programming and implementation, such as gender sensitivity and human rights orientation. The APB is the coordinating body for PCP and meets about quarterly. It includes UN agencies, donors, and NGOs as well as the World Bank as full members. Under the APB, thematic groups have been established to work on different sectors. Although its comprehensive membership is a plus, like the other coordination and programming mechanisms, the APB's role is constrained by its lack of decision-making authority and the lack of a financial mechanism to implement sectoral and thematic priorities.

25. ***NGO Coordination:*** There are three NGO coordinating bodies, one of which is intended to be comprehensive and include both larger international NGOs and smaller Afghan NGOs, and two others which consist exclusively of Afghan NGOs. The main coordinating body (the Agency Coordinating Body for Afghan Refugees—ACBAR) has recently scaled back its activities due to lack of funding. The Bank has engaged actively with the NGO sector (which is delivering most international assistance to Afghanistan), through substantive work (e.g. the study on the role and impact of NGOs), direct contacts and cooperation (e.g. in education and teacher training), and relationships with the NGO coordinating bodies.

## ***II. WORLD BANK ACTIVITIES***

26. Afghanistan is a member of IDA, ADB, IFC and the IMF. No international organization has recognized the Taliban government as representing Afghanistan. In the Bank and the Fund, there is now no Governor or Alternate Governor for Afghanistan, and the country has not been represented at World Bank-IMF annual meetings since 1996.

27. Afghanistan became a member of the World Bank in 1955. IDA has provided 21 credits to Afghanistan since 1964 in a wide range of areas including education, roads and agricultural activities. The last two credits approved by the Board for Afghanistan in June 1979 were for Roads and Rural Development. Of the original \$230 million credits approved under IDA for Afghanistan, \$83 million was disbursed and \$147 million was subsequently canceled. Bank operations were suspended shortly after the 1979 Soviet invasion of Afghanistan, and the Resident Mission in Kabul was closed. Afghanistan has repaid \$9.2 million to IDA and was up to date on debt service payments until June 1992, when the country went into non-accrual status. As of September 12, 2001, Afghanistan's arrears to IDA stood at US\$23.6 million (see Box 1). Lending operations have remained suspended due to the continuing fighting, absence of a national government and Afghanistan's entry into non-accrual status with IDA. The emergency situation in Afghanistan has been under continuous review by the World Bank.

**Box 1: Arrears Management**

Resuming normal financial relations with the international financial institutions will require a plan to clear outstanding arrears, which total some \$48 million as set forth below. In non-accrual workouts in other countries, most have used a combination of donor resources, their own reserves and other non-Bank financing (including bridging finance) to clear arrears. The presence of arrears does not, however, preclude mobilization of resources from the donor community (e.g. into a trust fund) or, on an exceptional basis, non-lending assistance from the international financial institutions.

<b><u>IDA</u></b>	<b>US\$23.6m</b>
<b>ADB</b>	<b>US\$15.1m</b>
<b>IMF</b>	<b>US\$9.6m</b>
<b>Total</b>	<b>US\$48.3m</b>

28. In 1992, when the Afghan resistance took Kabul and agreed on an interim Government, the World Bank and the wider assistance community, including the IMF, participated in the development of a nine-volume plan for the immediate rehabilitation of Afghanistan. The plan was intended to provide a framework of viable, sustainable activities which could be implemented immediately and through which rehabilitation activities could be expanded. The cost for undertaking initial selected rehabilitation activities over a two year period was estimated at US\$622 million. The subsequent political breakdown in Afghanistan made the plan largely irrelevant by the time it was published in 1993.

29. Although the World Bank has not conducted any lending operations inside Afghanistan since 1979, we have remained actively engaged with the rest of the assistance community, so as to be better prepared for future reconstruction as soon as the opportunity presents itself. These efforts have included continuous monitoring of political and economic developments; managing selective investments in the Afghan refugee communities (Box 2); working closely with the UN and donors; undertaking knowledge-building and knowledge-sharing activities; and providing analytical and strategic depth for the work of the wider assistance community.

***Box 2: Income Generating Projects for Refugee Areas***

Over a 12-year period beginning in 1984, the World Bank managed (on behalf of UNHCR and bilateral donors) three ***Income Generating Projects for Refugee Areas*** (IGPRA I, II and III) for Afghan refugees in Pakistan, with a total cost of US\$81.2 million. The projects were funded entirely by donor grants channeled through a multi-donor trust fund. Through nearly 300 sub-projects in public works, forestry and conservation, the projects provided much-needed employment, training and skills to refugees. They also provided considerable benefits to Pakistan in the form of rehabilitation of infrastructure including irrigation and roads. Almost two-thirds of project expenditures were made in NWFP and one-third in Balochistan.

An independent evaluation (conducted by OED in 1996) found the achievements of the three projects to be impressive. A substantial range of assets was created, implementation was relatively problem-free and there was a strong positive impact on refugees' employment and incomes. The projects exceeded employment objectives and provided for an estimated 11% of the employment needs of the available refugee labor force and improved the skills of Afghan workers.

30. Following Bank participation in a 1997 UN mission to Afghanistan as part of efforts to improve coordination under a “strategic framework” for assistance, the Bank developed a proactive “*Watching Brief*” engagement with Afghanistan in line with the Bank’s policies on relations with countries in conflict. The overall goal has been to prepare the Bank for eventually contributing to the development of a reconstruction program and future operational work in Afghanistan by expanding our knowledge of key economic and social issues and by developing contacts with members of Afghan society and the international assistance community. Activities under the Watching Brief have included:

- Periodic updates on the political and economic situation, regular updates on topical issues, and workshops on issues of interest to the assistance community;
- Economic studies on topics of importance for Afghanistan’s economy, such as Afghanistan-Pakistan Trade Relations, the Role and Importance of NGOs in Afghanistan, and the Role of the Livestock sector in Afghanistan;
- A World Bank Post Conflict Fund-supported *Afghanistan Watching Brief pilot program*, implemented jointly by UNDP and the World Bank, which has included economic and sector studies, workshops on relevant issues and pilot programs for Afghan women NGOs in Pakistan (see Box 3 for more details);
- Active partnership with the United Nations; and
- Participation in donor meetings and (on selective, demand-driven basis) in working groups on various topics (e.g. UN Strategic Framework, Principled Common Programming, Food Security).

### **Box 3: Post Conflict Fund Watching Brief Pilot for Afghanistan**

*Objectives:* To improve the Bank’s understanding of the economic situation and prospects in Afghanistan, strengthen the analysis of the Bank and its partners of key social and economic issues related to recovery and reconstruction and enhance the Bank’s ability to support assistance initiatives of the international community. Under the pilot, a range of studies, conferences and workshops have been held in order to build knowledge of the social and economic situation and to bring together the operational expertise in Afghanistan around key analytical themes. Support has also been provided for short-term job-related training for Afghan women’s NGOs. Most of these activities were supported by a grant of \$350,000 from the Post-Conflict Fund and implemented jointly with UNDP.

#### **Studies**

- Afghanistan-Pakistan Trade Relations (1996)
- Back-To-Office Report and Travel Notes on mission to Afghanistan (1997)
- The Role of the Livestock Sector in Afghanistan (1999)
- The Role and Impact of NGOs in Assistance to Afghanistan (2000)
- Afghanistan’s International Trade Relations with Neighboring Countries (2001)
- Food Security Strategy for Afghanistan (2001)
- The Socio-Economic Impact of Mine Action in Afghanistan: A Cost-Benefit Analysis (2001)
- Agriculture in Afghanistan (in process)
- The Socio-Economic Impact of Remittances to Afghanistan (in process)

### Conferences/Workshops

- Social Development in Afghanistan (February 1998)
- Workshop on Micro Credit (April 1998)
- Infrastructure in Afghanistan (1999)
- Education for Afghans (November 1999 Islamabad, December 1999 Washington)
- Health Service Delivery in Afghanistan (June 2000)
- Food Security Strategy for Afghanistan (November 2000 and April 2001)
- International Conference on the Analytical Foundations for Assistance to Afghanistan (June 2001)

31. The Watching Brief pilot program also funded provision of short-term training for Afghan women's NGOs based in Peshawar, Pakistan. This was designed to improve the capacity of Afghan professional women and the NGOs they work for. This successfully provided training to 350 women in the first year and another 450 women in the second year. More recently, a US\$1.5 million Post Conflict Fund grant has been approved for training of Afghan teachers, to be implemented by Save the Children, USA, GTZ and the Swedish Committee for Afghanistan. This assistance is designed to train Afghan teachers for their work in refugee camps now and in Afghanistan when they return. It will leverage the existing work of the agencies involved in providing education to Afghans by helping them to improve quality and access and gear up their efforts to provide human resource capacity that would ultimately contribute to the reconstruction of Afghanistan.

32. The Watching Brief has enabled the Bank to provide strategic and analytical depth to the work of the assistance community as well as helping to build our knowledge base for future reconstruction efforts. Some examples of these contributions are discussed below.

33. In response to increasing concerns about the *crisis in food security* in Afghanistan, the World Bank last year was asked to facilitate the work of an inter-agency working group whose objective was to develop a medium-term operational food security strategy for Afghanistan. Persistent drought has exacerbated the broader impact on agriculture of protracted conflict, the erosion of the agricultural production base, loss of irrigation and other infrastructure and declining non-agricultural income-generation opportunities. The working group, consisting of UN agencies, bilateral donors and NGOs, developed broad strategic principles to guide the formulation and implementation of the food security strategy. It recommended key strategic priorities for agencies in providing assistance. Two conferences were held (in November 2000 and April 2001) to bring together representatives of the entire assistance community to discuss food security issues. The strategy and work of the inter-agency working group was endorsed by the Afghanistan Support Group and has been seen as a successful example of agency/donor collaboration around medium-term priorities.

34. The Bank funded, provided technical oversight and co-authored a study assessing the *socio-economic impact of de-mining* in Afghanistan. Afghanistan is among the most mine-affected countries in the world, a legacy of more than two decades of conflict. Mines have taken a devastating toll on human lives, health and livelihoods. The international community has been putting substantial resources into de-mining (in the order of \$20 million per year). In response to

donor demand, this study was commissioned to evaluate the socio-economic benefits and costs of the Mine Action Program for Afghanistan (MAPA). The study concluded that MAPA generated substantial net socio-economic benefits which fully justify continued funding by the assistance community. The study also provided clear recommendations for prioritization of different types of land for mine clearance, for the choice of de-mining techniques, for introducing systematic cost-benefit analysis in operational decision making, and for encouraging greater community participation in mine action planning and prioritization.

35. The Bank also funded and provided technical oversight and guidance for a study assessing the size and role of the important *livestock sector* in Afghanistan's economy. As a result of the war and especially during the recent drought, a significant portion of livestock and other assets were destroyed, and livestock extension services almost collapsed. The study provided an overview of the livestock sector, estimated its size and contribution to GDP, identified regional differences in livestock varieties and uses, the programs and activities in support of the sector, and constraints for future development. It also identified areas for future development in the areas of animal health, nutrition, product processing, rangeland development, credit facilities and training and education.

36. A series of conferences sponsored by the Bank began with one on *Social Development in Afghanistan* in 1998. Participants included a wide range of donors, UN officials, NGOs and senior regional Bank staff. The meeting discussed the following topics: economic and social context; social development—ground realities; gender and development; and education. Participants discussed future analytical work needed, including on the role of NGOs and issues related to community involvement, as well as the need to continue to focus on gender issues and understand more fully the constraints in the education sector.

37. In 2000 a workshop was organized by WHO, UNDP and the World Bank to address constraints and opportunities in *Health Services Delivery*. Over 50 participants from professional and assistance backgrounds (including NGOs) participated, with the purpose of promoting information sharing and building consensus on key issues related to health services delivery. The conference identified gaps and problem areas and options for addressing these and other major issues in health services delivery. The conference provided an excellent opportunity for the different partners to clarify roles and responsibilities in the health field.

38. Two conferences sponsored by the Bank in coordination with Save the Children US, the Swedish Committee for Afghanistan and UNICEF, focused on the *crisis in education* for Afghans and how to build support for and enhance efforts to preserve and rebuild the human resource base in Afghanistan. Following these workshops, the Bank has worked with other agencies to raise the profile of education within the international assistance community. The conferences also led to the Bank's grant-based investments in teacher training for Afghan teachers.

39. Most recently, in June 2001, the Bank, jointly with UNDP, organized an international conference on "Analytical Foundations for Assistance to Afghanistan". This event brought together the assistance community to discuss key strategic and sectoral issues based on analytical work done as part of the Watching Brief program. The conference was held immediately before

a special meeting of the Afghanistan Support Group and provided substantive background and inputs for that meeting. There was widespread demand expressed at the conference for the World Bank to continue and enhance its activities under the Watching Brief. For this purpose a proposal for a second, expanded Watching Brief grant from the Post-Conflict Fund is being prepared.

### III. BANK APPROACH

40. The World Bank's approach for Afghanistan is built on the Bank's core competencies and comparative advantages, based on its experience with reconstruction in other countries as well as its previous work on Afghanistan. It also builds on the Bank's good relations with the rest of the assistance community for Afghanistan and is premised on continuing and deepening our partnerships. The approach incorporates lessons from the experience gained from the existing (primarily humanitarian) international assistance effort for Afghanistan and the considerable field expertise and knowledge that has been built up over time. It takes into account the complex country characteristics discussed in Section I and the current dire humanitarian emergency that Afghanistan faces resulting from drought, displacement, and continuing conflict. Finally, when a full country strategy is developed, it will have to be flexible and carefully aligned with the precise configuration of the political and governance arrangements that emerge in Afghanistan.

#### Objectives

41. The World Bank, in close partnership with the rest of the assistance community, aims to:
- **Formulate a reconstruction plan for Afghanistan whose process and product would be very much along the lines of the Comprehensive Development Framework (CDF).**
  - **Design and help put in place appropriate mechanisms to fund and manage the reconstruction effort.**
  - **Initiate full-scale needs assessments leading to the development of detailed reconstruction plans.**
  - **Develop specific plans for those components of Afghanistan's reconstruction where the Bank can be of help through financial support and/or technical assistance (TA).**

#### Principles of a Reconstruction Strategy

42. The formulation and implementation of a reconstruction strategy for Afghanistan would be guided by the following principles:
- **Demand-driven**—i.e. based on Afghanistan's reconstruction needs as identified in a process that increasingly involves the Afghan people and their legitimate representatives.
  - **Emphasizing equity** among different regions and ethnic groups, which implies a decentralized approach, and also gender equity.

- **Pushing for “quick wins”** to generate incomes for the population and promote economic recovery and political stability from the ground up, e.g. programs quickly providing large-scale employment (public works, road rehabilitation, irrigation repair and rehabilitation, de-mining, etc.).
- **Working with what is already functioning initially**—in particular continuing and scaling up the better existing programs of service delivery by NGOs.
- **Breadth**—ensuring continuity between humanitarian and reconstruction/development activities and recognizing the nexus with peace-building, state formation, security, etc.
- **Private sector orientation**—restarting private sector-led growth on a sustainable basis would be a central pillar of the reconstruction strategy.
- **Avoidance of bloated, centralized bureaucracies** in reconstruction and public administration, whether expatriate or national.

43. Following the CDF model, the reconstruction strategy should encompass the full range of activities, sectors, and issues related to reconstruction. All parts of the assistance community for Afghanistan (UN agencies, donors, and NGOs) would participate in the process of strategy formulation. The Afghan people, including Afghan members of civil society outside Afghanistan, Afghans working in the assistance community, and to the extent possible Afghans from inside Afghanistan, will need to be brought in as full partners to help prepare the reconstruction strategy. Of course, as soon as a political process gives shape to a government body, their representation at the table will be critical. And there will be a conscious effort to ensure that the work programs of different members of the assistance community reflect a sensible division of labor based on the strengths and comparative advantages of the entities concerned.

### **Key Elements of a Reconstruction Strategy**

44. A reconstruction strategy would have both short-term and medium-term components.

#### **Short-term, Transitional Elements**

45. The strategy will identify critical areas where progress and assistance will be required in order to make the transition from emergency relief to economic and social recovery, and areas where “quick wins” would help build the constituency for and sustain peace and reduce the risk of resurgence of conflict. Examples include:

- **Agricultural recovery and food security**, with a focus on seasonal inputs (seeds, fertilizer, credit) and irrigation and water management, and with an emphasis on stabilizing communities and preventing further drought-related displacement of population.
- **Generating livelihoods** for returned refugees and displaced people.

- **Supporting existing communities** through provision of basic services (schools, public health, community infrastructure) and small-scale development and empowerment programs.
- **Rapid rehabilitation of Afghanistan's main road network** and improvement/expansion of feeder and farm-to-market roads.
- **Expansion of the de-mining program** to minimize mine accidents, which, experience shows, increase sharply in times of refugee return.
- **Massive short-run employment generation** through public works programs, possibly including road rehabilitation, repair and rehabilitation of irrigation systems, and de-mining as mentioned above.
- **Re-starting and expanding key social services** like education and health with a focus on reaching girls and women, most likely through scaling up of NGO programs in the short run.
- **Human capacity mobilization** for social services, infrastructure, and public administration.

46. In all of these areas, early reconstruction programs need to be developed and costed. Wherever possible, successful programs already in place can be scaled up. As discussed in Section II, the Bank is already engaged in several of these critical areas through its past analytical and strategy work in partnership with other members of the assistance community. Examples include the inter-agency group which prepared a food security strategy for Afghanistan; the detailed socio-economic cost-benefit analysis of de-mining in Afghanistan which made a number of recommendations on strategic priorities; the Bank's long-term involvement in the education sector; and analytical work on trade, remittances, and other subjects of immediate relevance for Afghanistan's economy. In other areas like road rehabilitation, the Bank has the capacity to gear up quickly and assess needs and formulate sector strategies. In still other areas like community-based development and refugee return, there is rich experience in the international assistance community which can be absorbed and built on. More generally, experience with reconstruction in a range of post-conflict situations in different parts of the world also can be brought to bear.

### **Medium-term, Developmental Elements**

47. Other elements of a reconstruction strategy may be initiated early but will take time to reach fruition and have an impact. In some areas (e.g. public administration) early attention is required to avoid costly mistakes. Examples of areas where it will take more time to achieve results include the following:

- **Establishment of sound economic management institutions** (Central Bank, Ministry of Finance, Treasury, Statistical System).
- **Developing education and health systems that reach the bulk of the population** (something which has never been achieved in Afghanistan).

- **Developing a lean, effective, and honest civil service and institutions of public accountability.**
- **Urban management**, and in particular avoiding permanent large “refugee cities”.
- **Enabling environment for private sector development** – particularly to attract and productively utilize Afghan entrepreneurs and workers in Pakistan, Iran, and the Middle East.
- **Export development**, focusing on agricultural and livestock products and to some extent minerals.
- **Energy development and management.**
- **Environment and natural resource management** (including in particular forestry).

### **Important Contextual Elements for a Strategy**

48. The configuration, sequencing, and timing of political developments in Afghanistan will have an impact on the shaping and implementation of a reconstruction strategy, although not necessarily on its key elements.

49. The regional dimension within Afghanistan will form an essential part of a viable reconstruction strategy. It is possible, for example, that reconstruction activities will be possible only in certain regions initially, for security or other reasons. But even if reconstruction does occur on a nationwide basis, it must be sensitive to the ethnic and economic fragmentation that has occurred in Afghanistan over the past two decades. This means that regional balance and equity considerations need to be an integral part of the reconstruction strategy, and that activities which foster national integration (such as rehabilitation of the main highway network) should have high priority.

50. The regional environment around Afghanistan also is very important for a reconstruction strategy. The spillover of ethnic groups and conflict into the bordering areas of neighboring countries, which for the most part, like Afghanistan, are sparsely populated and poor, means that targeted development programs are also needed in these “risk areas” to prevent them from continuing to be reservoirs for conflict in Afghanistan and in their own countries. The Bank is developing an approach to a coordinated approach for targeted development in these areas.

51. Another critical aspect of reconstruction will be the heavy reliance on NGOs for service delivery, and the corresponding opportunity to avoid building up traditional centralized state-run public services during the process of reconstruction. NGOs have been responsible for delivering most international assistance and the limited social services that do exist in Afghanistan. Their rich experience and significant capacity provide an invaluable resource for reconstruction. In the short run, the better NGO-run programs can be scaled up quickly to provide critical services, while over the longer run, decentralized modes of service delivery and development of civil society institutions can be actively pursued.

52. And finally, a reconstruction strategy should give centrality to the objective of sustainable private sector-led growth. Although agriculture and other private sector activities in Afghanistan have been decimated or destroyed during the long period of conflict (with agriculture devastated by the recent drought), there is a large pool of entrepreneurship and private sector skills embodied in the Afghan refugee populations in the neighboring countries. These Afghans will need to be attracted back to their country by a suitable enabling environment and would contribute in a major way to economic recovery and sustained private sector-led growth. Inward remittances to Afghanistan, which have been a very important survival mechanism for much of the Afghan population, can also play an important role in financing private investments and business activities.

### **Funding and Management of Reconstruction**

53. International experience indicates that funding and management arrangements heavily influence the success of reconstruction programs. While there is considerable variation across countries in the precise arrangements, international experience suggests that the following areas will be key for Afghanistan.

54. **The broader “authorizing environment” for international reconstruction assistance needs to be clarified.** What kind of political umbrella will international assistance operate under, which agency or agencies will take the lead, how will the broad division of labor within the assistance community be achieved?

55. **There need to be effective aid coordination mechanisms in place** to ensure alignment of individual assistance programs and the overall reconstruction strategy and priorities. The convener(s) of aid group meetings should have a clear mandate acceptable to the assistance community. Competing aid coordination forums need to be avoided. Aid coordination should promote country-focused decision making in the assistance community and a team approach. Aid coordination and funding would be within the framework of overall BOP and budget financing plans for Afghanistan.

56. **A critical mass of international funding for reconstruction needs to be channeled through a well-designed trust fund on an un-earmarked basis.** The trust fund should be managed by a credible institution, with sound mechanisms for resource allocation and accountability. Un-earmarked and untied funding is essential for ensuring alignment of funding and programs with the strategy for reconstruction. Although not all assistance would need to be channeled through such a trust fund, the proportion of un-earmarked funding in the international assistance effort would need to be high enough to ensure the coherence and alignment of assistance with the overall strategy. Where significant amounts of reconstruction funds are going through other channels, there needs to be effective aid coordination. Fiduciary and safeguard provisions need to be uniform, speedy, and effective. And finally, the scope of the trust fund should be broad—encompassing both capital and recurrent spending for reconstruction/development.

57. **A sound domestic institutional structure for reconstruction is essential.** A reconstruction agency needs to be established, with a rapid build-up of capacity through bringing

in Afghan professionals from other countries and a major training effort. The reconstruction agency needs to have a sufficiently high status and profile within the interim administration or emerging government, yet it should have a “sunset” clause and other provisions to ensure that it does not become a permanent bureaucracy or take on a public sector orientation traditionally associated with a Ministry of Planning. The reconstruction agency should work closely with the trust fund management on the one hand and, as it develops, the Ministry of Finance on the other hand.

**58. There needs to be an explicit strategy, backed up by concrete actions, to mobilize Afghans for full participation in the reconstruction effort.** This would include maximizing Afghan staffing in the reconstruction agency and other Afghan government departments, in the assistance community, and in the private sector (both implementing reconstruction projects and in private economic activity and growth). There are several important pools of Afghan talent and human capacity which need to be drawn on in different ways:

- Millions of Afghans involved in all kinds of wage labor in Pakistan, Iran, and the Middle East.
- A large cadre of Afghan business people and entrepreneurs in these regions, in activities ranging from retail commerce to construction to transport.
- Tens of thousands of Afghans working in the assistance community for Afghanistan—UN agencies, donors, and especially NGOs.
- Thousands of Afghan professionals and skilled workers farther away, mostly in Europe and the USA.
- The remaining pool of talent inside Afghanistan.

### **The Cost of Reconstruction**

**59.** Although it would be premature at this point to put a precise price tag on Afghanistan’s reconstruction, the financial cost will be high, reflecting the toll taken by two decades of conflict on the country’s infrastructure, human capital, state institutions, environment, and, increasingly, social capital. Rehabilitation of infrastructure, capacity building and institution-building; agricultural and water conservancy investments to promote food security; an expanded de-mining program; restoration of basic services where they were operating before the war (mainly in the cities); bringing back, settling, and ensuring sustainable livelihoods for the large numbers of refugees and more recent internally displaced persons; and other reconstruction activities will carry high costs.

**60.** The overall cost of reconstruction in Afghanistan would be built up from a needs assessment and costing of programs in different sectors. In some areas of activity such as de-mining, food security, and to a lesser extent education, the Bank’s previous analytical work and inter-agency teamwork provides a sound basis for making a preliminary assessment of the likely cost of reconstruction. For example, in the case of de-mining, clearance of identified high-priority minefields can be roughly estimated to cost around \$200 million (compared with a total of about \$150 million spent on the mine action program during 1991-99). However, with peace, large numbers of refugees would be returning and more marginal lands would be exploited, so it

is likely that minefields previously identified as “low-priority” would become higher-priority and also would need to be cleared. It would cost close to \$300 million to clear all identified low-priority minefields, implying a total price tag of around \$500 million for mine clearance. Previously undiscovered minefields are still being identified and surveyed, which would further raise the cost of mine clearance. This is only one example, of one activity among a number of important activities which would need substantial funding during reconstruction.

61. Moreover, in Afghanistan reconstruction cannot be separated from longer-term economic and social development. Merely restoring the pre-1978 economic situation in Afghanistan (even if that were possible) would leave the country one of the poorest in the world in terms of both incomes and social indicators. This would make the task of maintaining political stability and promoting national integration very difficult and would leave Afghanistan vulnerable to resurgence of conflict. Population growth since the 1970s means that the pre-existing economic base and infrastructure could not in any case support the current population if most refugees return to Afghanistan. So reconstruction will need to be combined with a major development effort. For example, basic education and health, which in the past covered only a small proportion of the Afghan people even in peacetime, will need to be greatly expanded to cover the bulk of the population. In addition to being rehabilitated, the agricultural production base will need to be expanded and improved so that it can support and provide food security to substantially larger numbers of people. The combination of reconstruction with urgent development needs will further raise the cost of reconstruction in Afghanistan.

62. International experience also suggests that the cost of reconstruction will be high. For example, in the West Bank and Gaza, a total of \$3 billion of reconstruction assistance was proposed in the first two years, for an area with a population of less than two million and with at least some functioning basic infrastructure and services. In the case of Lebanon, external assistance for reconstruction was in the range of \$400 million per year over a period of 10 years, for a population of 4 million. In the Balkans, reconstruction costs also have been high—in the case of Bosnia, with a population of about 5 million people, total pledges (including humanitarian as well as reconstruction assistance) were \$5.4 billion during 1995-1999. And East Timor, with a population of less than half a million, is receiving \$350 million of reconstruction aid over a three-year period

63. These comparisons indicate that for Afghanistan, a country of some 25 million people (including refugees currently in other countries)—more than ten times the combined population of Kosovo and East Timor—the cost of reconstruction will be quite high, even taking into account the much lower level of per-capita income in Afghanistan. Moreover, the needs for BOP and budget financing will likely further increase Afghanistan’s external funding requirement during the reconstruction period.

64. In practice, what will constrain the level and cost of reconstruction assistance is domestic absorption capacity and the need to avoid excessive domination by foreign firms and staff of the reconstruction implementation process. However, Afghan private sector capacity in neighboring and nearby countries is substantial and can and should be brought into the reconstruction effort, which will increase domestic absorption capacity.

65. The high cost of reconstruction and likely constraints on the availability of external funding mean that a private sector-oriented approach is called for. At first glance Afghanistan would not appear to be a prime candidate for private investment. Nevertheless, pre-war Afghanistan was known for its entrepreneurs in trade, currency exchange, and other activities. A sizable group of Afghan business people has developed in neighboring countries, particularly Pakistan, with considerable financial resources. The reconstruction strategy should try to attract back to Afghanistan the large groups of Afghan businesses, entrepreneurs, and skilled and unskilled workers currently in Pakistan and Iran. Moreover, Afghanistan has a positive pre-war history of cost recovery for key infrastructure services like electric power, and “green field” investment opportunities in sectors like telecommunications, energy, and oil/gas pipelines. It is extremely important that such services start out on the right track during reconstruction. Options for private investment in infrastructure should be actively pursued.

### **Implementing the Bank’s Approach**

66. The Bank’s experience with post-conflict reconstruction in a number of countries suggests that early Bank engagement pays dividends in terms of the quality and effectiveness of the overall reconstruction effort. In the case of Afghanistan, the Bank has already been engaged through its “Watching Brief” activities (see Section II), providing a solid foundation to build on. Another critical lesson from international experience is the need for strong country ownership (which is a challenge in a country like Afghanistan where there is no legitimate national government at the outset) and for consultations and partnerships—with civil society (both national and international NGOs in particular) and with the full range of actors in the assistance community.

67. **Actions Taken:** The Bank has already taken a number of actions to prepare for accelerated work in Afghanistan. We have geared up our internal capacity and are further enhancing our knowledge base. We have been in close touch with key assistance partners, including the IMF and ADB; the UN system—UNDP as well as other agencies; key bilaterals; and NGOs. Building on our past engagement, we will continue to enhance our networking with the rest of the assistance community. Preparatory work is being initiated on how to resolve the problem of Afghanistan’s arrears to IDA and ADB and its overdues to the IMF (a total of some \$48 million for all three agencies).

68. **Next Steps:** We will be taking the following additional steps in the near future:

- **Seek guidance from the World Bank’s Board of Directors on the development of a Bank strategy for Afghanistan;**
- **Co-host with UNDP and ADB a major conference entitled “Preparing for Reconstruction in Afghanistan”** at the end of November. This meeting will include all segments of the assistance community for Afghanistan as well as substantial numbers of Afghans. It is intended to serve as an important vehicle for outreach, networking, harvesting ideas, and building alignment and consensus on a reconstruction strategy that will emerge, along the lines of the CDF approach.
- **Develop and encourage the adoption of appropriate mechanisms for financing and management of reconstruction,** based on lessons from experience and in line with the

developing situation with respect to Afghanistan. We will consult with other key actors in the assistance community on these mechanisms.

- **Work with an informal advisory group** of Afghans and other outside experts.
- **Organize a search for Afghan professionals living outside Afghanistan**, so that they can be brought in when the reconstruction effort needs to be staffed up.
- **Prepare detailed plans to deal with Afghanistan's arrears**, on the basis of consultations with other donors.
- **Make a contingency plan for a "needs assessment"** so as to be ready to move ahead on this front together with other donors and assistance agencies.
- **Begin work in priority areas where the World Bank can be of direct help**, in close partnership with other relevant members of the assistance community, for example economic management institutions (with IMF and ADB).
- **Actively pursue the continuing process of seeking alignment and consensus on a reconstruction strategy for Afghanistan.** This would include additional assistance community and donor meetings as needed after the November meeting, and preparation of a draft reconstruction strategy paper.
- **Develop an approach to a coordinated strategy for targeted development in "areas of risk" immediately around Afghanistan.**

Note: A number of reports and studies mentioned above are available on the World Bank website for Afghanistan at: <http://www.worldbank.org/af>