The Executive Directors discussed the FY09-11 Joint Bank/IFC Interim Strategy Note (ISN) for Afghanistan.

Directors commented on the fragility and uncertainty in Afghanistan and noted the challenging work environment for the Bank and other members of the international community. Nonetheless, there was broad consensus that despite the challenging environment, there has been considerable progress. Also, Directors commented on distinct opportunities, particularly on the political front, to support Afghanistan’s national development strategy. However, some Directors noted the risks associated with sustaining reforms during the upcoming election period. Directors acknowledged the Government’s sound macroeconomic management and the progress achieved in public financial management. They also noted the weaknesses in governance and administrative capacity as well as the continuing challenges posed by the opium economy for state building.

Directors supported the pragmatic approach set out in the ISN and the proposed flexible mix of interventions. They supported the ISN objectives to sustain and accelerate the progress made in the areas of state building and service delivery. This includes an emphasis on supporting ongoing or new national programs to help build state legitimacy, while building mutual accountability between the government, the local population and international partners. The importance of working with, and supporting strong and reform minded leadership was noted in this regard. Directors encouraged the Bank to continue work with the government and partners to support local capacity building and ownership, including through use of government systems.

Directors welcomed the continued focus of policy-level support in the areas of fiscal planning, public administration, and in particular supported the effort to increase transparency and accountability in the management of public finances. They highlighted the need to strengthen public debt management. Additionally, the importance of support to rural infrastructure, agriculture, the justice sector, social and gender considerations was underlined. Some Directors underscored the need for Bank involvement at the sub-national level. Others encouraged support for regional cooperation to promote conditions for sustainable economic growth. Directors emphasized the need to develop a broader private sector enabling environment and were pleased that IFC and MIGA will be scaling up their activities. They welcomed the close collaboration between IBRD and IFC, which will ensure synergies in engagements and activities in the country.

Directors commented on the Government’s high aid dependency and underlined the need to strengthen donor coordination, particularly with the United Nations. They stressed the need to improve aid effectiveness, as assistance remains fragmented, with two thirds of the resources bypassing government systems. Some Directors noted the positive role of the Afghanistan Reconstruction Trust Fund, which the Bank administers, as a mechanism to enhance aid effectiveness and harmonization. Noting the situation on the ground, some Directors requested specific guidance on the Bank’s special IDA post conflict allocation; and that this issue be considered taken up during the IDA mid-term review.

Finally, Directors noted the numerous risks to implementation, and urged the Bank to monitor the situation closely to allow for any adjustments to the strategy as needed.