The Executive Directors discussed the Poverty Reduction Strategy Paper (PRSP) prepared by the Islamic Republic of Afghanistan, and the IDA-IMF Joint Staff Advisory Note (JSAN).

Directors commended the Authorities for the comprehensive and ambitious PRSP and noted that it was informed by strong poverty diagnostic work and a broad-based participatory process. They noted that Afghanistan has made considerable progress in many respects since the fall of the Taliban regime in 2001, but still faces daunting challenges to the country’s ambitious efforts to improve security, build an effective and accountable state, and embark on sustained economic development and poverty reduction.

Directors considered that the macroeconomic policy framework is broadly in line with the Authorities’ economic program, supported by the Poverty Reduction and Growth Facility (PRGF). They supported the priority given to concerted and sustained efforts to increase domestic revenue, which will be needed in order to achieve policy autonomy and to move away from long-term aid dependence. Directors welcomed the PRSP’s emphasis on private sector led economic growth and employment creation, and urged a greater role for IFC and MIGA. They also noted the importance of political stability and security as preconditions for growth. In this connection, they urged the Authorities to take further steps to strengthen governance, reduce corruption, move forward with public administration reform, and tackle the narcotics issue. The importance of strengthening Government institutions and capacity, particularly for data, was acknowledged.

Directors broadly concurred with the JSAN’s view that the PRSP provides a reasonable basis for Afghanistan to move forward in addressing the difficult development challenges. Directors emphasized that continued financial and technical assistance from Afghanistan’s development partners will be essential to the success of PRSP. Given the large total resource requirement for the PRSP, however, Directors stressed that successful implementation would require even more careful sequencing, greater prioritization, and full costing. Directors underscored the importance of strengthening the ability of the Government to spend development assistance effectively, in a way that produces demonstrable development results and provides assurances to the international donor community. The need to place stronger emphasis on the quality of expenditures rather than levels was stressed. In addition, several Directors noted that the international community, in the seventh year of supporting the rebuilding of Afghanistan, could also rethink the ways that aid is being delivered in order to strengthen the incentives to Government for delivering the services that Afghans can reasonably expect.

Directors also noted that poverty remains a key challenge. Directors stressed the importance of strengthening the link between the strategy and poverty reduction efforts. Specifically, they urged the Government to pay greater attention to programs that would support the sustainable expansion of the agriculture sector and rural development. The need to pay greater attention to gender related issues was also highlighted.

Finally, Directors welcomed the upcoming Paris donors conference as an opportunity to advance the dialogue between the Afghan authorities and donors. They looked forward to regular updates on the PRSP implementation and the finalization of the Interim Strategy Note.