

## **Afghanistan: Joint Staff Advisory Note**

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ISLAMIC REPUBLIC OF AFGHANISTAN

**Joint Staff Advisory Note on the Poverty Reduction Strategy Paper Annual Progress  
Report**

Prepared by the Staffs of the International Development Association (IDA) and the  
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## ISLAMIC REPUBLIC OF AFGHANISTAN JOINT STAFF ADVISORY NOTE

### I. INTRODUCTION

1. **This Joint Staff Advisory Note (JSAN) reviews the First Annual Report on the implementation of Afghanistan’s National Development Strategy (ANDS).** The ANDS, which covers the five-year period from 2008 to 2013, is organized around three Pillars: Security; Governance, Rule of Law and Human Rights; and Economic and Social Development. It was received by the International Monetary Fund (IMF) and International Development Association (IDA) as Afghanistan’s Poverty Reduction Strategy Paper in April 2008. The first Annual Progress Report (APR) was received by the World Bank and the IMF in September 2009. It describes the progress of the Government of Afghanistan (GOA) in bringing the ANDS to its implementation stage. The report benefited from donor comments, was printed in two languages, presented at a conference and disseminated on a government website.
  
2. **Since the launch of the ANDS in April 2008, Afghanistan has experienced a number of extraordinary challenges that delayed its implementation.** The security situation deteriorated markedly and was dominated by the cross-border Taliban insurgency. Growth started to recover from a devastating drought. In May 2008, food and fuel prices peaked, leading to high inflation and pressure on the budget for additional fuel and food subsidies. These threats to macroeconomic stability were accompanied by a period of political uncertainty for Afghanistan’s leadership. Afghanistan’s second Presidential election planned for April 2009 was delayed to August 2009, leading to a prolonged election period. Overall, Afghanistan’s situation remains complex, dominated by the world’s largest narcotics production and weak governance and rule of law. While it is important to note the progress in sectors such as education, health, and rural development, performance in governance and service delivery of basic services is still poor. Similarly, while some regions are consolidating progress on the main Millennium Development Goals, development in several regions is being held back by insecurity. However, given the challenges, the staffs regard the amount of progress as noteworthy.
  
3. **The APR reports on efforts in areas of concern that were raised in the 2008 JSAN<sup>1</sup> for the ANDS, but in regard to key recommendations progress remains limited.** The government has been working on increasing aid effectiveness and coordination, but success also depends on donor cooperation. The authorities were successful in maintaining macroeconomic stability. Recent efforts to increase revenue mobilization showed initial

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<sup>1</sup> Islamic Republic of Afghanistan: Joint Staff Advisory Note of the Poverty Reduction Strategy Paper, IDA and the IMF, May 15, 2008 (IMF Country Report 08/193).

success, but the revenue-to-GDP ratio remains low and increased security expenditures hamper the prospects for fiscal sustainability in the medium-term. The lack of prioritization in many sectors remains the main obstacle to effective ANDS implementation, although strong leadership in selected areas, like agriculture and health, has helped identify priorities linked to poverty reduction. The Monitoring and Evaluation (M&E) framework remains very weak and still needs to be developed into a credible instrument to assess progress on ANDS implementation.

4. **The APR notes the constraints imposed by Afghanistan’s challenging security and political environment.** The report recognizes that increasing security concerns, capacity constraints, and governance limitations hamper the implementation of much-needed reforms, notably effective and accountable operations in some parts of the country, and hinder sustained economic development and poverty reduction. Progress in these areas is urgently needed to solidify support for the government and begin the transition to a modern state.

5. **The staffs concur with the APR assessment of mixed progress in a number of areas and still nascent M&E arrangements.** While progress was made in some areas, including towards some of the Millennium Development Goals, achievements in other areas were below expectations. For example, child mortality was reduced and school enrollment increased, but access to water has progressed only very slowly. While the report presents the outline of an M&E system, it also acknowledges that the new tools have not been implemented yet and that baseline data needed for a meaningful M&E framework are still not available. While an updated poverty diagnostic, based on the household survey of the National Risk and Vulnerability Analysis (NRVA) 2008, is not available yet, there are ongoing efforts by the government to finalize the analysis of the NRVA 2008 with donor assistance. These results will enable the authorities to refine development priorities and link poverty reduction objectives more clearly with policy recommendations for sector strategies.

6. **In the first year of ANDS implementation, execution of the core development budget<sup>2</sup> continued to be slow, reflecting limited absorptive capacity.** At the same time, the APR reports a shortfall of US\$3.2 billion in funding to meet projected costs of the ANDS in 2009/10. Given low execution rates for existing projects, there are questions as to the realism of projected ANDS financing needs. Future financing needs for the implementation of the ANDS far exceed the committed amounts pledged by donors at the Paris Conference in June 2008. Given the uncertainties surrounding external resources, emphasis on domestic

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<sup>2</sup> In 2004, GOA introduced the concept of a core budget (all funds flowing through its accounts) and an external budget (external assistance directly executed by donors). Within the core budget, operating expenditures are defined as current expenditure and small capital expenditure and development expenditures refer to reconstruction projects and some recurrent costs.

revenue generation and a stronger prioritization of sector programs and activities will be essential. The current increases in the operating budget in connection with higher security spending could also constrain the financing of other ANDS activities in years to come.

## II. MACROECONOMIC PERFORMANCE AND RESOURCE REQUIREMENT

7. **Economic performance remains largely driven by agriculture, including opium, and donor inflows.** Real Gross Domestic Product (GDP) growth excluding opium fell in 2008/09 because of a drought, but it is projected to rebound to 15 percent by the end of 2009/10 due to a recovery in agriculture and higher spending by the government and donors. Core inflation was brought down from double-digits in 2008–09 to zero in December 2009 and is projected to be at 6 percent or less by March 2010. Revenue performance during 2006/08 was disappointing, but it has improved in 2009/10. Security-related spending is rising, but increased donor support should keep the operating fiscal balance including grants near zero in 2009/10. The current account deficit including grants is projected to widen to around 3½ percent of GDP in 2009/10, from around 1½ percent of GDP in 2008/09. However, the current account deficit excluding grants has remained high; it was around 65 percent in 2006/07 and is projected to narrow to 54 percent of GDP in 2009/10. The exchange rate has experienced a slight nominal appreciation since March, but remains close to its five-year average in real effective terms.

8. **The government is developing mechanisms to align the budget with the ANDS.** The Medium-Term Fiscal Framework (MTFF) is in line with the authorities' economic policies supported by the Poverty Reduction and Growth Facility (PRGF). However, the MTFF is formulated in a reactive rather than proactive way and lacks predictability over the medium-term. The staffs welcome initiatives to make the budget the central implementation tool for the ANDS and to continue to strengthen the MTFF. These initiatives include the planned development of a medium-term expenditure framework and results-based program budgeting. In their implementation, the authorities will need to take capacity constraints at the Ministry of Finance (MOF) and other line ministries into consideration.

9. **The staffs agree on the need to prioritize across sectors and within each Pillar of the ANDS.** This is particularly relevant in light of the financing gap projected in the APR and the prominence assigned to large public sector investments in infrastructure. However, the staffs are concerned about the low execution rate of the development budget (which is currently almost completely financed by donors). The execution rate declined in 2008/09 although performance recovered somewhat in the first half of 2009/10. In this connection, further improvements are needed in capacity building, budget formulation, transparency and governance, and execution processes. Both the government and donors need to work together to resolve this issue.

10. **A strong commitment to boost revenue collection will be needed to meet the fiscal objectives of the ANDS.** Given Afghanistan's massive development and security needs, major efforts by the authorities will be required to increase domestic revenues in years to come. Without significant structural reforms in tax and customs policy and administration and a broadening of the tax base, the recent revenue expansion will not be sustainable. Even with higher revenues, strong spending pressures in coming years will pose a challenge to fiscal sustainability.

11. **Increasing aid effectiveness will be critical in the period ahead.** Appropriate focus on aid effectiveness (e.g., alignment of aid with national objectives), will be critical going forward. The ANDS results-financing mechanism, concentrating on output and outcomes, has the potential to improve aid effectiveness in Afghanistan. The staffs agree with the government's suggestion to shift resources from the external budget to the government budget to better align aid with national priorities, although this shift will need to be done sequentially, beginning with increased transparency of public expenditures financed by donors outside of the government budget.

### III. PROGRESS DURING THE FIRST YEAR OF ANDS IMPLEMENTATION

12. **This document assesses the progress reported in the 17 sector strategies and six cross-cutting themes, following the outline of the APR.** Some achievements are commendable, particularly given the deteriorating security situation. However, the staffs consider that some of the ANDS commitments need to be sharpened and the overall goals further sequenced and prioritized. As the policy discussions within the government and with the donor community continue, the programmatic context is likely to change. Some of the initial commitments remain too broad or ambitious, sometimes overlap or lack specifics. The staffs encourage the authorities to view the ANDS as an evolving document and adapt it to the evolving context and needs in Afghanistan.

13. **The monitoring of progress would benefit from taking into account broader medium-term considerations and not just reporting on short-term actions.** The M&E framework for many sector strategies includes large numbers of indicators not only missing baseline data, but also lacking clear time bound targets. This complicates oversight, making it difficult to assess progress. Reporting efforts need to become more precise and less focused on process indicators. The staffs note that four sectors (health & nutrition, education, agriculture & rural development, and energy) have draft Sector Results Frameworks and encourage the authorities to finalize them, based on the advice provided, and to work on developing other key Sector Results Frameworks.

14. **Improvements in many sectors are constrained by limited capacity, weak governance, and lack of clarity in sector leadership.** For several sectors, Afghanistan's

limited absorptive capacity constitutes a major constraint to the envisioned increases in ANDS-related spending. In addition, institutional arrangements, especially for program implementation, are often not fully developed yet. Lastly, inter-ministerial coordination in several sectors seems to be difficult and should be improved.

### **A. Security and Governance**

15. **Developing an appropriate financing approach to the security sector is critical for the implementation of the ANDS.** The security sector remains the largest sector accounting for about 30 percent of the government budget. In addition, the large amount of security expenditures financed outside the government budget, demands a reasonable financing approach that includes both government expenditures and donor-financed expenditures outside of the government budget. Furthermore, fiscal sustainability is heavily dependent on security sector expenditures. Therefore, coordination between donors and the MOF on security spending, including issues related to the size of the Afghanistan National Army and Afghanistan National Police, will be critical in the period ahead.

16. **The report recognizes that efforts are needed to improve Governance, Public Administration Reform (PAR), and Human Rights.** Progress in the implementation of the PAR, particularly the Pay and Grading component, has been measured. This and other challenging governance-related reforms will require high-level political commitment, possibly reform champions or a government lead agency in charge. The staffs recommend that governance indicators for the M&E framework should contain measures of voice and accountability over time with appropriate indicators and data sources.

17. **The lack of consistency and prioritization in the National Justice Sector Strategy complicates M&E efforts in this area.** The report lists a number of measures as achievements, although they represent inputs to reforms they would benefit from being linked to particular goals. Furthermore, the description of progress in this sector is at times inaccurate or overstated. The staffs urge the authorities to improve the M&E framework in this sector focusing on specific outputs and outcomes as a feedback mechanism to implemented policies.

### **B. Social and Economic Development**

#### **Infrastructure and Natural Resources**

18. **The APR notes the potential contribution of the energy sector to Afghanistan's development, but is silent on the target indicator of electricity access.** In particular, it is unclear whether there is any plan to achieve the ANDS target to increase electricity supply to 65 percent of households, 90 percent of nonresidential establishments in major urban areas, and 25 percent of households in rural areas. The staffs are concerned that this lack of focus

obscures the link between investments and targets and suggest reporting sector achievements under titles consistent with the Energy Sector Strategy as well as improving the focus and relevance of the M&E indicators. Activities, outcomes, and indicators need to be linked more clearly, and there is considerable scope for consolidating the number of indicators in the current M&E framework. At the same time, some of the sector's achievements need to be measured more accurately.

19. **The transport sector reports notable achievements in terms of road construction, but the projected number and cost of future programs appear unrealistic.** The staffs strongly encourage the authorities to prioritize programs in this sector and to revise funding expectations to a more realistic level in consultation with donors and in line with predicted government resources for the coming years. Also, the staffs note that activities related to capacity building and preparation of a regulatory framework lag behind and are likely to negatively affect the efficiency and sustainability of service delivery by the sector. The staffs encourage the authorities to lay out a plan as to how to move ahead in these areas.

20. **In the telecommunications sector, the authorities were successful in creating an enabling environment for private sector-led development.** Under government leadership, private competitive mobile provision was supported and sector policy was geared towards private sector involvement. The staffs advise that future progress reports should track: (i) improvements in the regulatory environment for telecommunications, (ii) country-wide usage of telecommunications infrastructure for service delivery (such as mobile money transfer) and internet services, and (iii) the impact of competition in the sector.

21. **The report fails to link the urban sector vision and its strategic approach with relevant indicators to capture progress.** Only one progress indicator refers to improved social services, and there is no reporting on improved housing or municipal infrastructure and services, like water, transport, and street access. The staffs observe that the documentation of progress towards increased access to shelter and promotion of economic development consists mainly of process indicators, i.e. studies and plans that have been completed. However, when referring to the completion of urban policies, codes, regulations and standards, it remains unclear how these planning instruments will support the devolution of authority and responsibility to municipalities. On several occasions, there is no recorded baseline for indicators or enough evidence of progress, and the reported output is outdated.

22. **While progress has been made on the mining sector, further work is required to finalize and implement adequate mining and hydrocarbons regulations.** In addition to the reported achievements, the staffs commend the authorities for the success of the tender of the Aynak copper deposit and the commitment to the Extractive Industries Transparency Initiative. Regarding the Aynak project, the staffs recommend building the institutional and human capacity to monitor compliance with socio-economic and environmental regulations



and commitments. In addition, a training program to develop capacity in mine and mine-related employment, including provision of goods and services, is urgently required. Large infrastructure investments as a result of new developments, like the Aynak project, should be undertaken in the context of local and regional development plans and complement other planned or ongoing infrastructure investments.

### **Human Development (Education, Health, Social Protection and Refugees)**

23. **The APR reports progress on improved access to education but still lacks M&E arrangements in regard to education quality and outcomes.** Presently reported access indicators (e.g., number of students) are input based and should be complemented by education results in terms of outcomes and impact (e.g., education progress across provinces) and quality of learning indicators (e.g., competencies and skills achieved by students). In order to better monitor the contribution of public spending to poverty reduction, the staffs recommend tracking province-specific expenditure by primary, secondary and tertiary education. In addition, the M&E systems should be integrated into the budgetary and operational planning of the Ministry of Education and the Ministry of Higher Education to guarantee that education programs and investments link with the ANDS education goals of improved equity, quality, and relevance.

24. **The health sector continued to deliver a Basic Package of Health Services to an increasing share of the population, even in areas affected by insecurity.** Unfortunately, the progress report does not clearly describe those advances. Although the sector is largely dependent on external financing, the leadership of the Ministry of Public Health (MOPH) in the sector was enhanced by the set-up of various coordinating bodies. Regarding the M&E framework, the staffs suggest more precision in reporting actual results, for example in immunization. In addition, the staffs recommend consolidating the number of indicators in order to focus the government and development partners on the key priorities of the sector, such as availability of nutrition services, antenatal care, delivery care, and vaccinations. Furthermore, baseline and target values for indicators will need to be defined to allow for a better assessment of actual progress achieved during the reporting period.

25. **Progress has been achieved in the policy formulation for pension reforms of public sector employees.** However, in some areas (e.g., disabled and survivors of martyrs'), fiscal affordability conditions need to be reflected more prominently. The staffs recommend further short-term improvements in selected areas, namely; better coordination between the Ministry of Labor, Social Affairs, Martyrs and Disabled (MOLSAMD) and other ministries in the design of a broad social protection reform program, including the safety-net pilot program and the military pension reform; and the definition of targeting mechanisms for the cash benefit programs operated by MOLSAMD. The staffs also advise the authorities to

adopt a more realistic schedule for commitments under pension policy and administration reforms.

26. **The assistance reported by the Ministry of Refugees and Returnees in support of durable reintegration for returning refugees or Internally Displaced People (IDP) has been modest.** With the exception of MOPH, no other ministry reports on services and assistance to returnees and IDP. Yet, Afghanistan is one of the countries with the largest number of refugees, returnees, and IDP caused by conflict.<sup>3</sup> The limited absorption capacity of the Afghan government could be enhanced by effective coordination through inter-ministerial committees to ensure that activities by other ministries include targeted assistance to IDP. The staffs recommend to address critical issues, such as the land rights of IDP, and to establish a knowledge base for addressing sustainable reintegration (e.g., stocktaking of returnees and IDP, including poverty profile, and coping strategies in locations of return/settlement).

#### **Agriculture and Rural Development (including Water and Irrigation)**

27. **Achievements in agriculture and rural development were noteworthy in the first year of ANDS implementation, but the M&E system needs to be improved.** The staffs recommend making outcome indicators more specific, monitorable, attributable to the ANDS interventions, and realistic with a timeframe for achieving them. Reported progress needs to concur with the reporting period or at times be further clarified. Whereas there is mention of increased production (or rural income), the staffs recommend referring to enhanced production through productivity increases, since the larger share of production increases should come from improvements in productivity. For the Sector Results Framework, it would be useful to link expected outputs and outcomes with specific projects or programs and their resource envelope in order to make tracking of progress easier and to provide an overview of the sector's activities.

#### **Economic Governance and Private Sector Development (PSD)**

28. **Much more needs to be done on economic governance and PSD to establish the right environment for pro-poor growth, including establishing appropriate M&E arrangements.** Critical measures must be taken to provide a more stable and streamlined approach to policy making for the benefit of the public and private sectors and to foster growth. The ANDS Results Framework contains two sector indicators pertaining to PSD, but they lack the methodology for constructing a baseline or measuring progress. As the

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<sup>3</sup> There are an estimated 1.8–3 million Afghan refugees in Pakistan, about 950,000 registered refugees in Iran (plus an estimated 1.5 million illegal refugees and economic migrants), and around 200,000 IDP.

monitoring framework is scaled up to cover all sectors, the staffs recommend developing a separate PSD Sector Results Framework, to enable the government to put these issues at the forefront. Key elements of the Doing Business Indicators should be incorporated into this framework. Given the importance of access to land for businesses in Afghanistan, it seems prudent to report achievements in this area (e.g., the enactment of the Land Management Law in 2008 and the completion of an Industrial Park Strategy). The staffs advise that improving cooperation across government agencies for monitoring progress under the PSD Pillar will be vital, as will be capacity building to ensure that policies and laws can be translated into actions and programs and start benefiting the private sector.

### C. Cross-Cutting Issues

29. **While progress has been made on establishing a legal and institutional framework for anti-corruption, there is little evidence yet of progress in reducing corruption.** Good examples of anti-corruption efforts are improvements in Public Financial Management (PFM) over the recent years and the anti-corruption plan at the MOF. The staffs note that the ANDS anti-corruption strategy remains a statement of commitments rather than an implementable plan with specific measures and a concrete time horizon. In this regard, the authorities need to re-double their efforts and implement credible and visible anti-corruption actions government-wide. The staffs acknowledge the difficulties for measuring progress in anti-corruption efforts, and advise that reporting on achievements in this area should include data on prosecution and conviction rates as well as perception indicators (e.g., the Transparency International Corruption Perception Index).

30. **As weak capacity remains a major obstacle to the implementation of reforms, strategic solutions are required.** To date, little has been achieved by the Inter-Ministerial Commission on Capacity Development (led by the Ministry of Economy) and government will need to coordinate better the multitude of interventions in this area. The report acknowledges the importance of capacity development in relation to the delivery of public services by the Afghan government. In this light, capacity development needs to be more closely linked to public administration reform and rationalization of technical assistance across the board.

31. **The ANDS Progress Report could have provided a broader, development-oriented perspective on the opium economy.** There has been progress in reducing the area devoted to poppy cultivation and, to a lesser extent, in reducing the size of the opium harvest in 2008 and 2009. However, the reduction in opium cultivation and production can be attributed primarily to reversible market factors (i.e., declining prices and large inventories). Eliminating the Afghan economy's dependence on opium will take a long time, and year-to-year fluctuations are less important than medium-term trends. It will be very important for the government to further accelerate its ongoing efforts to reform key institutions like the

Ministry of Interior, to take actions against anyone associated with or benefiting (e.g., through corruption) from the drug industry, and to continue increasing the emphasis on agriculture and rural development in order to generate sustainable alternatives to opium for the rural population.

32. **For Afghanistan to become better integrated regionally, it will be important to address three critical issues: water, energy and trade and transport.** Being a landlocked country and in order to transform itself into a land bridge, Afghanistan needs to agree on a clear set of protocols or international standards for operating its land borders in coordination with its rim neighbors. The staffs recommend that, in pursuing a regional integration and development agenda, efforts should be made to focus on initiatives and investments which best align with Afghanistan's priorities. This will ensure the most effective use of limited capacity.

33. **The staffs note that while progress in the adoption of environmental policies was made, these policies still await broader implementation and integration into the ANDS.** For example, the Mining Sector Strategy emphasizes sustainable economic gains of mining investments, but does not mention the environmental and social aspects of sustainable development of the mining sector. The staffs advise that mainstreaming of environmental concerns in the country strategy as well as promoting sustainable development is the most effective way to improve environmental conditions in the country.

34. **Progress in promoting gender equality is assessed as modest, despite achievements relating to girls' school enrollment and improvements in maternal health.** There is a lack of progress in achieving gender equity or gender mainstreaming across most sectors, such as microfinance and agriculture. Only the education and health sectors report gender-disaggregated results. The APR points out the lack of a database on gender status across the country and sectors. The staffs consider that reporting on actual achievements could form the basis for improved analysis and strengthen the capacity to develop socially sustainable strategies for increased gender equity, including its impact on poverty reduction. This would lend support and visibility to the initial gender mainstreaming efforts, with direct impact on women and their livelihood.

#### IV. IMPLEMENTATION AND MONITORING ARRANGEMENTS

35. **The latest Afghanistan poverty analysis was presented in the ANDS and was based on the 2005 (summer) and 2007 (spring) NRVA surveys.** The 2008 NRVA was completed during 2008/09—the first year of the ANDS implementation. However, while there are ongoing efforts by the government to finalize the analysis of the NRVA 2008 with donor assistance, an updated poverty diagnostic is not available yet. The APR reports that the NRVA team at the Central Statistics Office (CSO) received training for screening and

processing of raw data and undertaking some statistical analysis for poverty indicators. It is expected that this poverty analysis will be completed by end-2009 and will provide an important input to the ANDS Mid-Term Review expected in June 2010.

36. **The report reflects the government's efforts in developing the ANDS M&E framework.** The approach of Results Based Management is commendable. The staffs assess that the government rightfully took the decision to pilot first in selected sectors and provinces, before scaling it up to the national level. While the staffs find the overall plan for the M&E system to be a good start, there are a number of areas where improvements can be made:

- **National level indicators for the ANDS M&E framework:** It is encouraging that the report appreciates the value of improving the M&E indicators in the implementation of the Results Based Management framework. The report also states that the ANDS national level indicator framework presented in the Annual Report (Annex V) is still a draft that needs to be finalized. The staffs strongly encourage the authorities to set a timeline for finalizing it, taking into account the approaching Mid-Term Review of ANDS.
- **Data availability for future reporting of ANDS progress:** Developing a good M&E system hinges on a working statistical system. Strengthening the national statistical system is critical, particularly because the government adopted a new Results Based Management framework. However, results cannot be measured without reliable and consistent statistics. So far, the exercise of monitoring, evaluation, and reporting has relied on existing data sources. In order to ensure that the authorities have data available for future ANDS progress reports, it is important to plan ahead for data collection. Data collection takes time from design, to collection, and to data analysis. The report rightly notes that data produced by the CSO and other agencies should be demand driven. The staffs also encourage data users such as line ministries to engage with the CSO on the planning of future data collection exercises from the outset to ensure that the relevant data will be available when needed.
- **Quality and consistency of M&E indicators:** The report recognizes the importance of establishing concrete criteria to measure qualitative indicators. While the staffs acknowledge the effort by the MOF to limit the number of monitoring indicators at the sector level, the staffs continue to be concerned about the overall large number of indicators proposed. The staffs agree that indicators lacking informational content should be dropped during the first year, but emphasize the importance to M&E of maintaining a consistent series of indicators over time. The decision to drop an indicator should be based on the inability to measure it or lack of useful information in the indicator. It is important that the remaining set of streamlined indicators be maintained over time so that it is possible to measure change in a set of consistent indicators over time.

37. **While there were efforts to streamline and clarify the arrangements for the ANDS implementation oversight, the staffs advise further consolidation in the institutional set-up for the M&E.** The new machinery of inter-ministerial committees, standing committees, and ANDS units would benefit from review and streamlining to integrate them into the regular institutions of government. The staffs also recommend that the M&E framework be institutionalized in the existing structures of government with technical support from the international community as needed. In addition, the staffs consider that this would be more productive and sustainable from the perspective of government ownership than having separate structures. Progressing toward a simplified approach to program budgeting will also help in these efforts.

38. **Bringing more donor resources onto the national budget will require significant efforts by the authorities, including on improving development budget execution.** It will be crucial for the government to demonstrate continued increase in its capacity to absorb aid through well-designed and well-implemented development programs that achieve results. Further improvements in PFM, procurement systems, as well as the budgetary process will ensure appropriate fiduciary standards. Meaningful prioritization and a clear commitment to accountability for results (including improvements to the M&E framework as recommended) will be essential prerequisites for increased donor support through the government budget. Finally, concrete anti-corruption actions will assure donors of the government's commitment to greater transparency and accountability.

## V. CONCLUSION

39. **The staffs consider that the requirement of satisfactory implementation of the ANDS during 2008/09 has been met.** The first APR gives a fair assessment of progress achieved and the challenges encountered. Full-scale implementation of the ANDS has just started in an environment negatively impacted by insecurity and other fundamental development challenges. In order to present tangible results at the Mid-Term Review of the ANDS in 2010/11, these challenges will need to be visibly and rapidly addressed by the government's implementing institutions in close consultation with the donor community.

40. **Staffs agree with the risk factors outlined in the macroeconomic section of the APR which may affect the implementation of the ANDS.** A noticeable improvement in the security situation remains a requirement for successful ANDS implementation. Given the large investment demands and substantial resource requirements for the ANDS, a stable macroeconomic environment and continued donor commitment are also crucial. A strong policy reform effort, in the areas of tax and customs administration, public enterprise, and private sector development, will form the foundation for growth and poverty reduction. In the meantime, growth will continue to be dependent on agricultural production and recurring

droughts will contribute to risks for a smooth growth path. Also, persistent capacity limitations and governance issues should be addressed to complement reform efforts.

41. **The staffs reiterate recommendations of the previous JSAN to focus on prioritization and improvements of the M&E framework.** Better prioritization of projects and actions will enable donors to increasingly align their aid with the priorities of the ANDS. This will support government's effort to mobilize needed financing, beside concerted efforts to increase domestic revenue. However, donors' commitment to improve aid predictability is required to address uncertainty surrounding the overall resource envelope. Prioritization will also increase the likelihood of achieving results in an environment of limited absorptive capacity. Beside the long-term commitment to capacity building, the management and coordination of technical assistance should be improved in the short-term. Finally, the M&E framework still needs further streamlining and simplification to become a useful instrument for the government to assess progress toward ANDS objectives. Institutional oversight of ANDS implementation and monitoring needs to be further consolidated and become the responsibility of regular government institutions, as should be the task to improve quality and timeliness of information.

42. **Do Executive Directors concur with the staffs' assessment regarding satisfactory implementation of the ANDS?** Do they regard priorities sufficiently identified and adapted to the country risks? Do Executive Directors agree with the recommendations to strengthen ANDS implementation?