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INTERNATIONAL FINANCE CORPORATION
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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **ANWAR UL-HAQ AHADY**,
Governor of the Bank for the **ISLAMIC REPUBLIC OF AFGHANISTAN**,
at the Joint Annual Discussion



Islamic Republic of Afghanistan

Ministry of Finance

SPEECH TO THE WORLD BANK (925 WORDS)

Presentation of

Dr. Anwar Ul Haq Ahady,

Minister of Finance,

The Islamic Republic of Afghanistan

For

The World Bank Annual Meeting,

Washington D.C.

September 25, 2005

Mr. Chairman, President Wolfowitz, Managing Director de Rato,

Excellencies, Ladies and Gentlemen:

It is, indeed, a pleasure and honor to address this forum. I would like to take this opportunity to congratulate Mr. Wolfowitz on his new appointment. We, in Afghanistan, are particularly pleased with Mr. Wolfowitz stewardship of the World Bank. Mr. Wolfowitz has been a good friend to Afghanistan, and we look forward to working with him and his team in years to come. These past weeks, the thoughts of Afghans have been with the people of Louisiana, Mississippi, and Texas. The USA has been a true friend to Afghanistan in our hour of need and we hope for a speedy recovery for all those affected by this tragedy.

Excellencies:

Afghanistan has begun a comprehensive restructuring towards achieving our vision of a democratic polity, a pluralist society and a market-based economy. We have made significant progress in all these areas in the past three years.

Politically, we passed a new constitution two years ago, held democratic competitive presidential elections one year ago, and parliamentary elections last week. The current government looks forward to working with

parliament, and we are confident that within a few years, we will have all the necessary institutions of a stable and functioning democracy.

Socially: the promotion of human rights, women's rights, civil liberties, pluralism and tolerance constitute essential elements of our vision. In our recent elections, some human rights violators were denied the privilege of running for public office. Those who fail to respect human rights are now on the defensive in Afghanistan. Women's participation in education, employment and politics has increased tremendously since 2001. At least 25% of our parliamentary members will be women. Afghanistan is now a pluralist society where different ethnic and religious groups peacefully exercise their civil liberties.

Economically, we have evolved from a state-controlled economy to a market-based economy where the state is responsible for developing physical, human and legal infrastructure that will drive private sector-led growth. We have already made significant progress in developing our infrastructure, particularly in the transportation, power generation and telecommunications sectors. Our legal reform agenda is on schedule with significant revisions to our Central and Commercial Banking laws, as well as our customs, budget, and income tax laws. Fiscally, we have consistently met our revenue targets and expect to significantly increase revenues in the coming years. Our budget, which we have balanced three

years running, is fiscally responsible and in line with expectations of the international financial institutions. Macro-economically, inflation is under control, growth rates are strong, and employment is growing. We are privatizing our state-owned financial and commercial institutions, and we plan to build a lean, effective and outcome oriented civil service.

In brief, we have made great progress in the past four years, and have laid the foundation for a healthy democracy, a tolerant society and a market based economy. We could not have begun this effort without bilateral and multilateral international support. The World

Bank has been very generous and for that we thank them.

Now it is time to build upon this success as much remains to be done.

Most of our physical infrastructure still needs to be built or repaired.

Because we urgently need to strengthen our human resource capacity, we need more support soon for higher education and to help reform our public service sector. Many of the institutions essential to a stable state require further development. In short, having emerged from decades of conflict as one of the world's poorest nations, Afghanistan's journey towards stability and the hope of future prosperity will require years of sustained effort and support from the international community.

Perhaps even more important than how much Afghanistan receives is the quality of that support. We must break the cycle of dependant development which circumvents government decision-making. When donors do not let government manage the allocation of resources, they undermine our hopes of achieving the capacity to lead Afghanistan's development in the long run. We believe that donors should give us the chance to lead, they should challenge us to perform and then hold us accountable.

As Finance Minister, I know the costs of externally-managed development, and I believe that donors can achieve more for their money by going through government. Only by showing their trust in us, can we demonstrate the accountability, transparency and cost-effectiveness essential to a functioning government.

In response to our desire for more control over the allocation of donor's money, we are often urged to borrow. Even though we are doing that for many of our public investments, our borrowing capacity is quite limited. Despite having consistently exceeded domestic revenue targets, we cannot cover our relatively frugal government wage bill with domestic revenues, let alone service a large debt in the near future.

Therefore, we need ongoing support in the form of multi-year grants, not loans.

In brief, Afghanistan is a success story of state-building and international cooperation, but we are not out of the woods yet. We need the right levels and quality of international financial assistance for another few years, and we hope we will continue to receive that support. Thank-you.