

Post-Settlement Economic Initiatives

Background

- The international community has asked the World Bank to develop a plan to guide international aid support for economic growth, development, and poverty reduction following any potential political settlement with the Taliban.
- The objectives of the work are to: i) articulate potential economic benefits of peace to all parties; ii) support a common understanding of potential economic priorities following a political settlement; and iii) provide an input to planning processes.
- We are currently seeking views from a wide range of stakeholders on the plan. This note summarizes our initial thinking on the principles and priorities that should be reflected in a post-settlement economic plan. We want to hear your reactions on the ideas reflected here.

Afghanistan must secure peace while progressing towards self-reliance

- **Aid flows have helped Afghanistan achieve major gains in social and economic indicators over the past 18 years**, including: i) improved access to health and education; ii) reduced child mortality rates; iii) increased expectancy of life; iv) much higher per capita incomes; v) functional government institutions; and vi) improved access to key infrastructure including energy and telecommunications.
- **Afghanistan remains highly dependent on foreign assistance.** International aid still pays for around three-quarters of all Afghanistan's service, infrastructure, and security needs. This support underpins health, education, roads, energy, and key public institutions.
- **Continued investment in basic services and infrastructure are vital to Afghanistan's economic development and eventual self-reliance.** A healthy and educated workforce combined with expanding infrastructure can create conditions for businesses to emerge and grow. Growth of the private sector presents the only opportunity to generate tax revenues and reduce current heavy reliance on international aid over time.
- **This has important implications for international aid following any political settlement.**
 - **International aid must continue to support basic services and infrastructure.** Without this support, the private sector cannot grow, and Afghanistan will either remain reliant on aid or experience declines in the availability and quality of important public services such as health and education.
 - **International support must help sustain peace and ensure that the potential economic benefits are realized.** Aid must also help ensure that economic benefits from a political settlement are fully realized and widely shared. This will help ensure that all have a shared interest in maintaining peace.

Principles to guide post-settlement programming

Initiatives supported by the international community following a political settlement should be consistent with the following guiding principles.

- **Signaling change.** The chances of sustaining peace are higher if peace delivers noticeable improvement in living standards, especially through improved employment opportunities and better functioning of core institutions. This means that new initiatives following a political settlement should deliver short-term impacts, including through leveraging the opportunities arising from improved security.

- **Supporting equity and inclusion.** To ensure equity and inclusion, new initiatives should:
 - **Provide benefits based on needs, rather than on political affiliation or previous membership of armed groups.** International evidence shows that this kind of targeting creates resentment and opportunities for corruption;
 - **Address the position of women and youth.** Improving women’s access to economic opportunities will bring important economic and social benefits. With Afghanistan facing a youth bulge, creating opportunities for youth is also important for social stability.
 - **Be carefully designed to avoid generating conflict pressures.** This means ensuring that projects involve communities in decision-making and avoid exacerbating existing social divisions.
- **Ensuring sustainability.** Interventions introduced immediately following peace cannot impose long-term and unsustainable costs. Such initiatives must also support progress towards reduced reliance on aid and private sector development. New initiatives therefore should: i) build on existing programs and plans to avoid duplication and fragmentation; ii) support mobilization of private sector investment as the only viable source of long-term growth and employment creation; and iii) support the generation of government revenues to allow Afghanistan to progress towards self-reliance over time.

Potential priority thematic areas

Initiatives supported by the international community following a political settlement should be targeted to the following sectoral development priorities for Afghanistan.

- **Protecting and investing in people.** Afghanistan continues to face important challenges in providing access to basic services. More than half of Afghans live below the poverty line. New initiatives should target improvements in services and expansion of services to new areas. New initiatives should also support efforts to reduce poverty through expansion of community development programs (such as Citizen’s Charter) and cash transfers to benefit the worst off.
- **Improving rural livelihoods. Agriculture is key to reducing poverty and improving employment opportunities.** New initiatives should provide immediate support to rural areas to improve agricultural productivity and resilience to weather-related shocks. Initiatives should also support longer-term improvements through investments in supporting infrastructure and irrigation networks.
- **Securing and attracting investment.** Private sector investment will be key to Afghanistan’s economic success. New opportunities for investment may arise following a political settlement, but important constraints (including a poor regulatory environment and limited access to infrastructure) need to be addressed. Risks facing private investors are high. New initiatives should help address constraints to private investment, including by expanding access to finance, improving the legal and regulatory environment for investment, supporting private investment in infrastructure through public-private partnerships, and providing financial products to offset risks to investors.
- **Strengthening international linkages.** A political settlement offers the opportunity for further regional economic integration within a fast-growing and dynamic region. New initiatives should support: i) increased exports through addressing regulatory and infrastructure issues at borders; ii) attracting increased foreign investment, including in the extractive sector, through packaging and marketing of investment opportunities; iii) regional connectivity through investment in regional connective infrastructure projects (energy, roads, and rail); and iv) increased opportunities for Afghans to safely and legally access employment opportunities in other countries.