

## **Afghanistan**

### **Incentive Program Development Policy Grant Operation**

#### **Chair Summary\***

**June 14, 2018**

Executive Directors approved an IDA grant for the Islamic Republic of Afghanistan for the Incentive Program Development Policy Grant operation in the amount of SDR 62.6 million (US\$90 million equivalent) on the terms and conditions set out in the President's Memorandum. The operation is also supported by the Afghanistan Reconstruction Trust Fund in the amount of US\$210 million.

Directors welcomed the innovative design of the operation, tailored to country context, and the integration of IDA financing with the Afghanistan Reconstruction Trust Fund (ARTF) program, and encouraged to share lessons learned with other regions. They supported the authorities' resolve to pursue reforms towards economic and fiscal self-reliance despite the serious economic, political and security challenges in the country. They appreciated the operation's key focus areas that are vital to promoting inclusive growth and fostering private sector development, including financial inclusion, business environment, land rights, and the energy and agriculture sectors. They noted the risks related to formalization of land rights for vulnerable populations such as undocumented migrants, informal laborers, internally displaced people and refugees, and encouraged efforts to mitigate these risks. They recognized the benefits to women from land rights and civil service reforms and encouraged the authorities and the Bank team to step up efforts to further advance gender equality and promote financial inclusion across the vulnerability spectrum.

Directors recognized the significant decrease in aid flows combined with high risks of debt distress, and their possible impacts on progress achieved to date. In this regard, they underscored the importance of improving revenue mobilization and quality of public expenditures to help address Afghanistan's heavy dependence on foreign aid. They noted the Bank's administration of the ARTF, the largest single source of support to Afghanistan's budget, and emphasized the need to ensure smooth coordination of donor funding and support. Directors stressed that successful implementation of reforms supported by the operation hinges on proper implementation support, considering the country's weak capacity. In this context, they underscored the importance of close coordination with the IMF and other development partners. They also stressed the need for careful monitoring, concrete efforts to reduce corruption, and risk mitigation following the upcoming elections.

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\* This summary is not an approved record.