**Record of Interview**

**Project Title and Code:**
SIGAR LL-02: Lessons Learned from Aid Coordination in Afghanistan

**Interview Code:**

**Date:**
June 4, 2015

**Location:**
Washington, DC

**Purpose:**
[b][3], (b)[6], (b)[7][C]

**Interviewees:**

SIGAR Attendees:
Grant McLeod, Kate Bateman

**Non- attribution Basis:**
Yes X No

**Recorded:**
Yes | No X

**Recording File Record Number:**

**Prepared By:**
Kate Bateman, Research Analyst

**Reviewed By:**
Grant McLeod, Subject Matter Expert and LL-02 Project Lead

**Key Topics:**
- Econ Strategy in 2011
- National Priority Programs
- New Silk Road
- Tokyo: Mutual Accountability, Incentivized Assistance, Hard Deliverables
- Corruption
Record of Interview

Special Inspector General for Afghanistan Reconstruction

Background

(b)(3), (b)(6), (b)(7)(C)

Econ strategy effort in 2011

(b)(3), (b)(6), (b)(7)(C) On the course of Transition, the broad outline was set (Lisbon Summit). There was a big effort in 2011 to do a new look at the economic strategy - it was a report that went to the Hill. We were shifting from more stabilization efforts to more traditional development, renewed focus on sustainability and anti-corruption. We knew the "second civil service" was coming to an end, needed more institution building, and job growth. We were just looking back at this document to see if it still stands as a viable document.

Second thing: regional economic connectivity. This piece was built into the 2011 econ strategy; it's reason for New Silk Road. NSR matches nicely with sustainability and increasing trade.

(b)(3), (b)(6), (b)(7)(C) the document was required by the NDAA. It was on moving from stabilization to long-term reconstruction. 30-40 pages. We condensed the data into 3-5 page Executive Summary, and this is what ended up surviving.

National Priority Programs (NPPs)

First there was a practical, capacity problem: I can't read 1200 pages. (b)(3), (b)(6), (b)(7)(C)

If we're going to do a project that's not consistent with Afghanistan's priorities, at least we should know where these are.

(b)(3), (b)(6), (b)(7)(C) there was the sense that there were too many priorities - a lot of hortatory commitments. This fed into Tokyo, looking to narrow priorities. We were not trying to reinvent the wheel.

(b)(3), (b)(6), (b)(7)(C) NPPs. That was one of the least effective parts of the process going back to London and Kabul. The biggest problem of aid coordination is that ministries have an incentive to say yes to any program or assistance that is proposed by donors, especially because there's no cost-sharing basis of it.

New Silk Road

NSR came out of CENTCOM. (b)(3), (b)(6), (b)(7)(C) For example, look to borders; we had a conversation with people north of the borders. Over time, New Silk Road was incorporated by the Afghans into their own strategy. Now people talk about regional integration.
On my second day in office, first trip to Kabul, Ghani bought into the New Silk Road idea. It came about because CENTCOM had a list of 10-12 priority projects. NSR became an element of all our conversations, e.g. on tariffs, civil aviation, etc. It became a broader conversation. It was picked up by the Heart of Asia process. Now we don't find the need to mention it; it's been adopted.

Tokyo 2012 and "Mutual Accountability"

"Mutual accountability" came from a Karzai speech at Istanbul or Bonn. We jumped on that – we came back to that for Tokyo, to use his words. We wanted Tokyo to raise money, get people to commit to Afghanistan through the Transition. We didn't want to find in 2014 that the money had all dried up. Chicago was designed to deal with the military side, Tokyo was designed to deal with the financial side – both to ensure there was no abandonment of Afghanistan.

We wanted significant Afghan involvement, so we looked a lot back to London and Kabul 2010 documents. For Tokyo, however, we wanted the language about commitments to be more clear. We called it a "statement of fact," i.e. if Afghanistan was not X, there would be no extraordinary commitment from the international community. We called it "top-level conditionality." We did not want to tie the USG's hands. Tokyo has it in there if you look at the language; Afghanistan has committed to x, y, z. We came up with 4 baskets and specific indicators. The Afghans would do these things and in exchange the US and international partners would continue assistance. It's "macro-level conditionality." It's consistent with the language of the Strategic Partnership initiative.

Tokyo: Incentivized Assistance

The final thing we did in Tokyo is attempt to be uber-specific with conditionality: that's the Tokyo document about 10% incentivized aid moving to 20%. We pushed hard, we thought an increasing amount of money from the international community should have some form of conditionality. This was an opportunity to be hyper-specific about conditions, without throwing out the whole assistance budget. We wanted something we'd be able to follow through on. We took the money we were planning to spend in the next 6-12 months, and incentivized that amount. The first $75 million was $30 million for the ARTF, and $45 million for Central Asia/regional programs (including CASA 1000) and for off-budget programs in Afghanistan.

We can build sustainability in two pieces: 1) through projects; and 2) building the capacity for the Afghan government to pay its own way.

Tokyo was a big success: the numbers were good, donor pledges were better than we expected. The SOM was the next year, 2013. We developed our own bilateral incentive program.

Tokyo: Hard Deliverables

The UN, as a facilitator, tried to work out with Zakhilwal, an effort to measure what the Afghans had done and what they were willing to do. GIRoA wasn’t going to be aggressive in looking at each

1 The move from 10% to 20% is mentioned in TMAF-related documents, but incentivization is not agreed to until the Senior Officials Meeting in 2013.
sector...so we got extraordinarily specific on hard deliverables. There was criticism from the outside, how are these the most important things in Afghanistan? We finished this in late 2013. SOM in summer 2014. And for all the trouble over the 2014 elections, if we hadn’t had the legislative baseline, we wouldn’t have been able to get the process we did.

The point on aid coordination is that the hard deliverables were useful: for a year, the IC importantly spoke with one voice to Zakhilwal and a few key Afghans on priorities. Without this, I can’t say we would have passed the election laws. It enabled us to speak on Kabul Bank follow-up with a coherent voice. That cohesion was pretty useful.

Zakhilwal: As we built more institutional capacity, I think we have more interlocutors with whom we can move things, e.g. a smart Minister of Mines. Other lessons learned from the hard deliverables: they require a number of actions from a variety of ministries, and it was Zakhilwal we were always engaging with. As some point, we said we need to meet with these other guys; we realized we need real conversations with multiple stakeholders. Prior to the SOM, for each basket in the TMAF we did an Ambassador-level donors meeting. Brits did anti-corruption.

Lessons on conditionality: marry the reward to an actor who can make the decision. For example post Kabul Bank, we were not funding the ARTF. But none of the people relevant to Kabul Bank are hurt by stopping funding for the NSP.

This is looking better in the New Development Partnership that came out of Ghani’s visit. The World Bank incentive program worked quite well. Building off Ghani’s request for more results-based aid: If they educate 500,000 more girls, we’ll deliver X more funding. We’re the motivation to get over the finish line. Would like more of that but there’s skepticism we can do that on a hard basis.

Back to hard deliverables: get away from a transactional approach. E.g. If meet 93% revenue target with IMF, we chip in extra X %.

Corruption

In Washington it’s hard to have a finger on the corruption piece. There are systemic issues. If Ghani is focused on creating an independent (or centralized) procurement process – that could be an important anti-corruption step. We need to attack where 1) there are institutional weaknesses (like procurement process); and 2) we must hold US assistance to the highest possible standard. That’s when direct assistance piece has been most helpful – need the political will. The problem is some examples need to be set~ Ghani’s efforts on Kabul Bank. Single biggest thing the Afghans can do on anti-corruption is to ensure the AGO is not corrupt.

There’s a value to some of the patronage, for instance how a road gets built. Plenty of countries are corrupt but functional. There’s a broad understanding that corruption undermines security, and undermines institutions. Impossible to assume the USG can stamp out corruption in Afghanistan.

Follow-up Items
None.