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Technocratic Reforms in Afghanistan Benefits and Limitations

Summary

- In the run-up to major international aid meetings on Afghanistan's security (July 2016) and development (October 2016), the country's National Unity Government (NUG) has made considerable progress in pursuit of "technocratic" reforms, mostly involving laws, regulations, plans, strategies, and formal processes.
- These technocratic reforms have generally been well received by donors and are encapsulated in various internationally supported aid and incentive programs; thus, they are useful in attracting continued international financial support for Afghanistan.
- However, these reforms alone will not resolve the country's formidable security, political, and economic problems.
- The Afghan government needs to work with greater cohesion—especially in making timely and high-quality appointments in key ministries and agencies—and take serious actions to address the most critical problems; the focus should be on those actions within its reform program that will yield concrete results in the short run (e.g., revenue growth and economic stimulus).
- International partners should not overly emphasize technocratic reforms at the expense of providing urgently needed assistance (e.g., air support for Afghan security forces, measures to support the stability and effectiveness of the NUG, and targeted actions to help stimulate a modest economic revival).

“ Within the Afghan government's ambitious and wide-ranging reform agenda, actions that lead to concrete, measurable results in the short run should be prioritized.”

A Noteworthy Technocratic Reform Program

Since 2014, Afghanistan's NUG has been plagued by political dysfunction and gridlock, a marked deterioration in security, and a weak economy. In the face of these problems, it is easy to forget that the government has made considerable progress on a number of reforms. These reforms, best labeled as "technocratic," largely involve changes in laws and regulations, development of plans and strategies, and improvements in formal processes. A good example is the International Monetary Fund's (IMF) 2015 Staff-Monitored Program (SMP), which called for (1) making changes to banking laws and regulations, tax laws, and anti-money laundering regulations; (2) hiring an

external auditor for a designated vulnerable bank; (3) restarting the sale of New Kabul Bank; and (4) initiating a risk-based audit case selection process in the Afghanistan Revenue Department.¹

Remarkably, the degree of ambition of Afghanistan's technocratic reforms, and to a considerable extent the progress in their implementation, have exceeded expectations, especially for a low-income, conflict-affected country. Recent reforms have built on earlier technocratic achievements—for example, in public financial management (PFM) where Afghanistan outshines comparable countries and even some middle-income countries;² and the country made particular strides in technocratic reforms that fell below the political “radar screen.”³ However, top-level political support for these reforms is much greater under the current administration than under the previous one.

From the beginning, the NUG explicitly branded itself as “reformist” and put forward a broad and bold reform agenda in its paper, *Realizing Self Reliance: Commitments to Reforms and Renewed Partnership*, presented at the London Conference on Afghanistan in December 2014.⁴ A progress report was released at the Senior Officials Meeting in Kabul in September 2015, which noted significant progress in the implementation of reforms, including against many of the thirty-seven indicators that map to the twenty-five short-term priorities set by the government in its London conference paper.⁵ Examples include, among others,

- submission of asset declarations by 80 percent of top state officials as called for under the constitution;
- drafting of civil service laws and design of a next-generation civil service reform strategy;
- development of a prioritization plan for legislative action on pending laws and regulations;
- a new PFM roadmap;
- formulation of a development coordination mechanism involving six multisector development councils;
- preparation of an aid management policy;
- reduction in the number of national priority programs from twenty-two to twelve;
- improvement in Afghanistan's international ranking in the Doing Business Indicators;
- approval of the finalized National Action Plan for Women, Peace, and Security; and
- a “refreshing” of the 2012 Tokyo Mutual Accountability Framework (renamed the Self-Reliance through Mutual Accountability Framework).

While little progress has been made on highly political parts of the reform agenda, such as electoral reform and efforts to stop or punish entrenched politically connected corruption, the country's notable successes on technocratic reforms have received international recognition. The IMF SMP has been successfully completed; forward movement has resumed on the Incentive Program of the Afghanistan Reconstruction Trust Fund (ARTF) after a hiatus in 2014 and early 2015;⁶ and a number of targets under the New Development Partnership (NDP) have been achieved, triggering the release of \$180 million of on-budget U.S. bilateral aid in 2015.⁷ Undoubtedly, the government will present documentation of significant further progress on technocratic reforms at the upcoming Brussels international conference on Afghanistan's development.

Benefits and Limitations

First, it must be recognized that, in some cases, technocratic reforms have achieved, or can achieve, measurable results that make a difference. Most notably, total Afghan government revenue grew by 22 percent in 2015 and is continuing to increase in 2016.⁸ In addition, numerous families and

areas will benefit from the recently initiated program to register and provide security of tenure for urban households living on informal settlements.

However, most benefits from technocratic reforms are much less direct. Perhaps most important, international donors encourage these reforms and their implementation and “reward” good performance by continuing to provide significant assistance. Many reforms have been embedded in internationally supported programs (e.g., the IMF SMP, ARTF Incentive Program, and NDP), under which funding is linked to the achievement of reform targets and benchmarks. More generally, demonstrated progress in technocratic reforms creates a conducive atmosphere for the pledging of donor aid at major international conferences, such as the Warsaw meeting on security (July 2016) and Brussels meeting on development (October 2016).

Another possible benefit is that the design and implementation of a technocratic reform program could build cohesion and trust across the NUG, enhancing political capital over time and improving the government’s functioning. However, the reform agenda appears to be driven primarily by President Ashraf Ghani’s wing of the NUG, and opportunities for the government to become more unified seem to have been missed.

Progress in technocratic reforms could be an indicator of government effectiveness, demonstrating that it is functioning and able to design and implement policies. However, other, more basic indicators of government effectiveness have not been achieved, negating any such positive impact. The most striking example is government appointments: It took many months for the NUG to name its Cabinet and many more months to get most ministers confirmed. Two years after the 2014 presidential election, several key positions are still occupied in acting capacity and resignations of ministers have recently occurred. The gridlock around appointments, replicated downward through lower levels of government, has been a concrete indicator of government *ineffectiveness* that far outweighs any positive signaling effect of technocratic reforms. Recent modest improvements in appointments, most notably leadership appointments in two of the three security agencies plus the attorney general, would, if continued and broadened, achieve much more in terms of government effectiveness (and signaling thereof) than technocratic reforms.

No matter how well-designed and implemented, technocratic reforms will not

- **Improve security or mitigate the ongoing conflict in the short run.** This is obvious but worth underlining. Even if some process and efficiency improvements could be made in the security sector, this would not affect the dynamics of the armed conflict with the Taliban. In the near term, the ability of Afghan security forces to withstand Taliban attacks will be critical, and in this context, air support and other key “enablers” (such as intelligence, transport mobility, logistics, and supply) will be of overriding importance.⁹
- **Address the political dysfunction of the NUG.** The more overtly political reforms—most notably electoral reform¹⁰—have basically gone nowhere, reflecting the underlying political gridlock. Conversely, the more technocratic reforms, where progress is possible, will not ameliorate the political dysfunction in the NUG.
- **Jump-start Afghanistan’s weak economy.** The country’s economic challenges are closely tied to current political and security problems, which exacerbate and prolong the macroeconomic shock stemming from the decline in international military expenditures in-country. Since they do not address the security situation and political dysfunction, any economic growth “dividend” from progress in technocratic reforms would be small.

Even though technocratic reforms cannot have a major impact on Afghanistan’s most serious problems, they should help provide a stronger foundation for future development gains—whether a better enabling environment for the private sector or improved public procurement processes,

among others—if there is a breakthrough at some point on the political and/or security fronts. However, too much focus on long-term efforts, particularly at the expense of crucial short-term actions, would be counterproductive.

Conclusions

Afghanistan's technocratic reforms have made impressive progress and help generate international donor confidence in and financial commitment to Afghanistan. However, these reforms alone will not ameliorate, let alone resolve, the country's serious political, security, and economic problems.

Within the Afghan government's ambitious and wide-ranging reform agenda, actions that lead to concrete, measurable results in the short run should be prioritized. More broadly, government and international attention should be focused on

- providing air support and other key enablers for the Afghan security forces;
- maintaining international financial and other support levels, including international troops, and avoiding mixed messages (e.g., about the strength and duration of the international commitment);
- increasing the effectiveness of the NUG (e.g., through ensuring that timely, high-quality appointments are made at all levels of government); and
- implementing targeted measures to help stabilize the economy and stimulate a modest revival (e.g., mobilize more revenue, continue to register informal urban household settlements, augment aggregate demand including by public expenditure stimulus, tilt demand away from imports toward domestic production, and promote exports on a sustainable basis).¹¹

Notes

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ABOUT THIS BRIEF

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11. William A. Byrd, "What Can Be Done to Revive Afghanistan's Economy," Special Report no. 387 (Washington, DC: U.S. Institute of Peace, 2016), www.usip.org/sites/default/files/SR387-What-Can-Be-Done-to-Revive-Afghanistans-Economy.pdf.



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