



WILLIAM BYRD

E-mail: wbyrd@usip.org

## Mutual Accountability

### Lessons and Prospects for Afghanistan Post-Tokyo

#### Summary

- At the Tokyo conference on July 8, donors committed to provide massive civilian aid to Afghanistan and improve aid effectiveness, while the Afghan government committed to a number of governance and political benchmarks.
- The outcome at Tokyo exceeded expectations, but a review of Afghan and international experience suggests that implementing the Tokyo mutual accountability framework will be a major challenge.
- The multiplicity of donors could weaken coherence around targets and enforcing benchmarks, and undermine the accountability of the international community for overall funding levels.
- Uncertain political and security prospects raise doubts about the government's ability to meet its commitments, and political will for needed reforms understandably may decline as security transition proceeds and the next election cycle approaches.
- It is doubtful whether major political issues can be handled through an articulated mutual accountability framework with benchmarks and associated financial incentives.
- The civilian aid figure agreed upon at Tokyo (\$16 billion over four years) is ambitious and exceeded expectations; if the international community falls short, this could be used to justify the Afghan government failing to achieve its benchmarks.
- Finally, given past experience there are doubts about how well the Joint Coordination and Monitoring Board (JCMB) process (mandated to oversee implementation), and the series of further high-level meetings agreed at Tokyo, will work.

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#### Introduction

“Mutual accountability” is the cornerstone of the Tokyo Declaration of July 8.<sup>1</sup> Donors agreed to provide a very large amount of civilian aid to Afghanistan (\$16 billion over four years, or \$4 billion per year on average), and to improve the effectiveness of aid by over time putting more (50 percent) of total aid through Afghan budget channels and aligning most (80 percent) with Afghanistan's priorities as embodied in the National Priority Programs. The Afghan government committed to taking a number of actions and achieving associated outcomes/results, primarily in governance and political spheres. The outcome of the Tokyo meeting exceeded expectations in terms of funding indicated by donors and conditions agreed to by the Afghan government, but making mutual accountability work will be a major challenge.

This paper first reviews some lessons from international experience with conditionality associated with policy-based financial support to developing countries. It then looks at experience with mutual accountability efforts in Afghanistan over the past decade, focusing on the Bonn Agreement of December 2001, the Afghanistan Compact of early 2006, and budget support operations and the Incentive Program of the Afghanistan Reconstruction Trust Fund. Finally, the paper also discusses prospects with respect to implementing the Tokyo framework.

## Lessons from International Experience with Conditionality

“Conditionality” has become a dirty word in some quarters, but it is a form of mutual accountability—a government commits to taking certain actions (typically policy reforms of various kinds), and the international partner commits to providing funding in return. There are hard-learned lessons from application of conditionality during the three decades since the 1980s;<sup>2</sup> mistakes made have prompted changes in approaches. The following good-practice principles have recently been developed by the World Bank, for example: (1) **Ownership**—reinforce country ownership; (2) **Harmonization**—agree up front with the government and other financial partners on a coordinated accountability framework; (3) **Customization**—customize the accountability framework and modalities of World Bank support to country circumstances; (4) **Criticality**—choose only actions critical for achieving results as conditions for disbursement; and (5) **Transparency and predictability**—conduct transparent progress reviews conducive to predictable and performance-based financial support.<sup>3</sup> Some concrete lessons from experience with conditionality include:

- A reform constituency in the country is essential to leverage conditions and push reforms seen as necessary for the country’s progress; otherwise political will for meaningful reforms will be lacking.
- Objectives and targets cannot be overly ambitious but rather need to be achievable and build momentum of reforms.
- A degree of flexibility and responsiveness to unexpected developments needs to be built in.
- Conditionality should involve only a few essential targets/benchmarks—otherwise the reform effort will lose focus; a “Christmas tree” approach with numerous wide-ranging targets and benchmarks must be avoided.
- A medium-term perspective and reform framework is important.
- Dialogue is key—the process of collaboratively developing a reform program tailored to individual country circumstances, agreeing on triggers and benchmarks, and following up on implementation can be very beneficial.
- There are also technical design issues, such as ex-ante versus ex-post provision of funding, how to balance incentives for reform actions with predictability of financing, whether to do a series of separate operations or a single multi-tranche operation, etc.

## Afghanistan’s Experience Since 2001

Afghanistan over the past decade has seen numerous reform agendas, benchmarks and commitments on the part of government and donors, reflecting the multiplicity of donors and the plethora of high-profile international meetings since 2001.<sup>4</sup> Two more developed mutual accountability frameworks are discussed below, and experience with policy-based budget support operations and the Afghanistan Reconstruction Trust Fund’s Incentive Program (ARTF IP) are also reviewed.

The **Bonn Agreement of December 2001** included a number of benchmarks with associated timelines, most of them political, intended to lead to a functioning democratic, effective and

accountable state. Bonn was a political negotiation supervised by the United Nations, but there was an element of mutual accountability in that a number of actions were required on the Afghan side and the international community undertook to provide financial, technical, and security support. Most benchmarks in the Bonn Agreement were achieved, for the most part on-time. However, the broader objective of state-building was only partially achieved, and progress toward political normalization was limited. Moreover, the Bonn process did not set in motion self-sustaining dynamics for continuing progress after it was completed (with parliamentary elections in 2005); on the contrary, there were subsequently setbacks, culminating in serious problems with the second round of elections in 2009–2010.

The ***Afghanistan Compact of 2006*** is a good example of how not to do mutual accountability. The range of areas covered and the sheer number of benchmarks represented a “Christmas tree” approach which included almost everything and thereby ended up prioritizing nothing. This reflected pressures from the many donors as well as government ministries that incorrectly thought having benchmarks for their sectors included would guarantee funding for their programs. There were well over a hundred specific benchmarks in some 52 different areas, which were completely unmanageable and soon became largely irrelevant. The mechanism for overseeing implementation was the Joint Coordination and Monitoring Board (JCMB), meeting three to four times per year mostly in Kabul, which was an unwieldy, largely diplomatic forum.<sup>5</sup> While efforts have been made from time to time to improve the functioning of the JCMB as a decision-making body, it is not clear whether recent or possible future improvements can enhance its effectiveness, and previous experience with Afghanistan Compact implementation was unpromising.

***There has been positive experience with policy-based budget support and the ARTF IP.***<sup>6</sup> These initiatives took on board lessons from international experience with conditionality; supported reform agendas and constituencies in the Afghan government; built constructive dialogue; and realized synergies between analytical work, technical assistance, and budget support—public financial management is a good example. Coordinated financing by multiple donors was an important component, exemplified by the ARTF IP with its agreed benchmarks and associated financial incentives, and there was coherence with the International Monetary Fund program. At the same time, there were limitations. These initiatives accounted for only a small proportion of total aid, did not involve political conditions, and did not work well where highly connected political and financial interests were involved. For example, the Kabul Bank crisis was of a magnitude that could not be effectively addressed through the ARTF IP and its benchmarks; indeed the entire ARTF was put at risk as donor contributions dried up during the crisis.

## Post-Tokyo Prospects

The mutual accountability framework promulgated at Tokyo clearly reflects learning from earlier experience. There are 20-plus benchmarks for the government in five main areas, far fewer than in the Afghanistan Compact. There is a long-term perspective—the “decade of transformation” (2014–2025), and the responsibilities of Afghanistan and the international community are clearly set forth and demarcated. Nevertheless, there are major issues and challenges for the future.

First are inherent problems of mutual accountability, which implies layered dual accountability of both government and international partners. Each side is accountable to the other party in the Tokyo framework but also to their own constituencies/citizens.

On the international side, the multiplicity of donors means there is fragmented accountability—this could adversely affect coherence around targets and enforcing benchmarks, as well as the ability of the international community to be meaningfully held accountable for total funding, particularly given

severe fiscal constraints faced around the world. Coordinated programs and funding will be essential, but is it realistic to expect most aid to go through the Afghan government budget/trust funds?

For the Afghan government, uncertain political and security prospects raise doubts about its ability to meet commitments. The reform constituency may be weakening; there has been an inability to fully address issues where high-level political connections are involved (e.g. Kabul Bank); and more generally, the political will needed for meaningful reforms understandably may decline as the security transition proceeds and the next election cycle approaches.

Second, it is doubtful whether major political issues can be adequately handled through an articulated mutual accountability framework with benchmarks and calibrated financial incentives—which is better suited to more technical conditions without large overt political ramifications. Other mechanisms, such as that set up to oversee implementation of the Strategic Partnership Agreement between the Afghan and U.S. governments, may be better suited for handling such “big-ticket” issues.

Third, the figure for total civilian aid agreed at Tokyo is ambitious and exceeded expectations—particularly since it is in addition to large security sector assistance agreed at the Chicago NATO Summit in May. Inability by the international community to deliver this level of funding could provide a justification for the Afghan government failing to achieve its benchmarks, and mutual accountability could degenerate into each side accusing the other of not delivering on promises.

Finally, how will achievement of benchmarks be monitored and enforced? As indicated in the Tokyo Declaration, the specifics of modalities, timelines, etc. remain to be worked out. Given past experience, there are doubts about how well the JCMB process (mandated to oversee implementation), and the series of further high-level meetings agreed at Tokyo, will work. Declining aid for Afghanistan means the funding lever potentially will be stronger than in the past, but it is not clear whether and how effectively it can be deployed given donor fragmentation and that some funding (e.g. for Afghan security forces) is seen as an integral part of international drawdown strategy and hence will be difficult to hold back.

In conclusion, while the outcome at Tokyo has exceeded expectations and hence was a success, the challenge henceforth will be implementation. This paper has laid out some of the issues and problems likely to be encountered in making mutual accountability work.

## Notes

1. See *The Tokyo Declaration: Partnership for Self-Reliance in Afghanistan: From Transition to Transformation* (July 8, 2012).
2. A number of documents have distilled lessons from experience with conditionality; examples include: *Conditionality Revisited: Concepts, Experiences, and Lessons*, edited by Stefan Koeberle, Harold Bedoya, Peter Silarszky, and Gero Verheyen (Washington, DC: The World Bank, 2005); *Development Policy Lending Retrospective* (World Bank Operations Policy and Country Services, July 2006); and *Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries* (Asian Development Bank Evaluation Report, August 2007).
3. *Conditionality in Development Policy Lending* (World Bank Operations Policy and Country Services, November 2007), p. 1.
4. See William Byrd, “Avoiding Meeting Fatigue: How to Make the Numerous International Meetings on Afghanistan Effective,” (USIP Peace Brief No. 130, 29 June 2012). A useful compendium of declarations and agreements from important international meetings on Afghanistan is *Afghanistan Agreements: A Collection of Official Texts from 2001 to 2011* (Civil-Military Fusion Center, 2012).

## ABOUT THIS BRIEF

William Byrd is a development economist and has worked on Afghanistan in various capacities over the past decade and longer. During 2002–2006, he was stationed in Kabul, Afghanistan, where he served as the World Bank's country manager for Afghanistan and then as economic adviser. He is currently a visiting senior expert at the U.S. Institute of Peace. This paper builds on his remarks on mutual accountability at the July 18 U.S. Institute of Peace panel discussion "From Transition to the Transformation Decade: Afghanistan's Economic and Governance Agenda after Tokyo" (second session on "Filling the trust gap—what does 'mutual accountability' mean, what are the first steps, what is the role of civil society?"). The views expressed in this brief do not necessarily reflect the views of the U.S. Institute of Peace, which does not take policy positions.

5. Witness the scramble among donors for membership in the JCMB, which initially was supposed to be a lean decision-making body limited to seven Afghan ministries plus seven representative international partners; soon the JCMB was expanded to include virtually all donors.
6. <http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANE/XTN/0,,contentMDK:22156917~pagePK:141137~piPK:217854~theSitePK:305985~isCURL:Y,00.html> provides background on the ARTF IP.



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