

AFGHANISTAN

HEDAYAT AMIN-ARSALA, Governor

Distinguished colleagues, I am deeply honored to have this opportunity to represent Afghanistan at the Thirty-Fifth Annual Meeting of the Asian Development Bank (ADB). It is an important milestone for my Government, for it has been more than two decades since Afghanistan has been represented on the Board of Governors. ADB's operations for our country were suspended in 1979, following Soviet occupation. The war years, civil conflict, Taliban regime, and recent severe drought have been a dark period in our history.

The People's Republic of China (PRC), in contrast, illustrates what is possible with progressive and unified leadership. At the time Afghanistan was slipping into destructive conflict, the venerable Deng Xiao Ping launched the PRC on a path of reform that harnessed the enormous energy and enterprise of the people. President Jiang Zemin has continued the reform, with Shanghai a showpiece of the country's unparalleled growth and development. My congratulations to the mayor of Shanghai, the governor of Guangzhou Province, and the Government of the PRC—represented here by H.E. Xiang Huaicheng, the Minister of Finance. And thank you for your famous hospitality and excellent arrangements.

President Chino, we are most grateful for your personal stewardship in guiding ADB to play a lead role in providing assistance for Afghanistan. Your visit to Kabul on April 4 provided a first-hand appreciation of the task ahead. Many ADB missions have followed your footsteps, gathering the information necessary for focused and effective action.

Before I turn to a discussion of Afghanistan, my delegation would like to express its endorsement of the five points President Chino raised in his address to the Opening Session of the Board of Governors. We are pleased by the reorganization of ADB, the country-strategy approach, the additional loan products so as to allow for greater flexibility in supporting member countries, the simplification and clarification of the operations manual, and finally President Chino's emphasis on the reconstruction of Afghanistan and its neighboring states. We also wholeheartedly agree with President Chino's assessment of the challenges that ADB and, indeed, the world faces—including poverty reduction, reversal of environmental degradation, and the need for greater regional cooperation and economic integration among states.

Afghanistan's challenges are particularly complex and difficult, but rays of hope and renewed spirit are growing stronger everyday. In my following remarks, I would like to brief you about Afghanistan's situation, our development strategy, and the international assistance needed to realize our goals.

The tragic events of September 11 and the media coverage of its aftermath made the world acutely aware of the suffering of Afghan people. Let me, therefore, highlight only aspects of our situation that bear particularly upon reconstruction of the country. Our economic and social infrastructure is badly deteriorated, both because of the war years and long neglect. Roads, irrigation systems, telecommunications, electricity and water services, and other essentials are all very deficient. Further, financial services are almost nonexistent.

Consequently, economic activity has been limited. In addition, a severe three-year drought has resulted in a sharp drop in agriculture output and income. The sector is the mainstay for over 80% of our 22 million people. Economic growth has been negative since the mid-1990s and the average per capita income is now less than \$150.

Over the past six months change has been in the wind, and we are beginning to feel increasingly confident about the outlook. Security has improved considerably, with only a few troublesome pockets remaining. We are in the process of building a national army and police force, so as to ensure security for all our people. The Interim Administration of Afghanistan has functioned in full accordance with the Bonn Agreement of December 2001. An Emergency Loya Jirga (Grand Assembly) will be held next month. We hope that the Assembly will be successful in forming the Transition Government that reflects the will of the people, and that further strengthens the prospects for sustained stability and national unity. The Transition Government will prepare a new constitution leading to full elections in 2004.

The return of His Majesty Zahir Shah, former King of Afghanistan, to preside over the Loya Jirga, and the smooth preparations for the Assembly, have given a strong unifying boost to the spirit of Afghans. These positive developments have also encouraged increasing numbers of Afghan refugees to return to their country. I would like to take this opportunity to thank our neighbors for their shelter and assistance to our people during the hardest test for any Afghan—exile from their home.

We are moving quickly to take advantage of the window of opportunity provided by peace and the rising spirits of Afghans. We have prepared the National Development Framework that sets out our goals and targets in rebuilding the country. The strategy highlights human development, reconstruction of our infrastructure, and the private sector as the engine of growth.

Our reconstruction strategy is founded on three paramount considerations. First, the nation we are endeavoring to rebuild is a modern Afghanistan, consistent with our religious and cultural beliefs. Our strategy is designed to recover lost time, to put the country on a faster development track and place it firmly in the 21st century. We want up-to-date technologies, and policies and programs in line with regional requirements and global realities.

The second consideration is the role we foresee for Afghanistan in the region. Historically, Afghanistan has been a center of trade and commerce for the region, providing a land bridge between Central and South Asia, and indeed between the East and West. Now that the prospect for sustained peace has returned, we would like Afghanistan to play once again this bridging role—through encouraging regional cooperation and economic integration. I am confident that regional cooperation and open markets will enable Afghanistan and its neighbors to have a stronger and brighter future.

There is much that we could and should do to promote closer ties with our neighbors. We need to develop transport corridors to integrate the region, simplify our customs and border procedures, jointly promote tourism, and cooperate in the development of our natural gas, hydropower, and mineral resources. We also need to cooperate in other matters, including measures concerning control of drugs and communicable diseases, and water resource management and environmental protection. The region has great potential, and through cooperation, potential far greater than the sum of the parts.

A third fundamental consideration shaping our reconstruction strategy is the immediate need of our people to have gainful income opportunities. In addition to giving hope and dignity to our people, income opportunities are vital for maintaining peace and security in our country. The combination will result in sustainable investment in social and economic infrastructure. We must, therefore, quickly establish the right environment for investment and enterprise, and we must be prepared for some pump-priming measures—such as public works and community development programs—to stimulate the process.

Rebuilding our economy and ensuring that all our people experience steady improvements in their living conditions will take time. It will also require resources far beyond our capacity.

Our Government coffers are virtually empty. As shown by our recently adopted ordinary budget for 2002/03, we are almost entirely dependent on international assistance to staff our schools, run our health clinics, pay our public servants, and maintain security. Our development budget, yet to be finalized, will be entirely dependent on international assistance. Our ordinary budget will require international assistance of more than \$1 million a day, and the development budget will probably double this. Humanitarian aid will be additional, especially as returning refugees swell in number.

We are greatly heartened by the interest being shown by the international community in helping to rebuild our nation. At the Tokyo Conference on the Reconstruction of Afghanistan in January 2002, the international community pledged \$4.5 billion to the reconstruction of Afghanistan over the period to June 2004. ADB pledged \$500 million for this period—including up to \$200 million for this year, of which some \$50 million will be grant assistance. I understand that loan assistance is contingent upon Afghanistan's clearance of arrears and agreement by Asian Development Fund

donors on our access to concessional resources. I am confident that both considerations will be addressed satisfactorily.

The PRC is among the many nations that are providing very generous bilateral support. I would like to take this occasion to thank our host country for its commitment of \$150 million for a variety of development projects and programs. The PRC's support illustrates the wide spectrum of ADB member countries that are contributing to Afghanistan's reconstruction.

The Government of Afghanistan is committed to full transparency and accountability in the use of this international assistance, not simply in response to donor concerns, but to maintain the trust of all Afghan people. Just as we are making every effort to ensure effective use of international assistance, so too the international community must consider the modalities best suited to Afghanistan's circumstances. Means must be found for more directly assisting local communities and people. This suggests greater emphasis on community-based programs and projects.

President Chino, distinguished colleagues, let me conclude by once again extending my appreciation for your support. Afghans are a resilient, hard working, and proud people. We want to be self-reliant as quickly as possible. I think ADB and all development agencies will find that international assistance for our country leads to rapid progress. Our ambition is to match the PRC's stellar growth, leading our people out of poverty and rebuilding a modern Afghanistan as a regional center for trade and investment. To realize this ambition, we will need sustained international support and constructive engagement with our neighboring countries. We hope that Afghanistan has begun a fresh new chapter of its history—one that promises great benefits for itself and also for the region as a whole.