



HIGHLIGHTS OF USAID WORKSHOP:
PROMOTING ECONOMIC GROWTH IN A NEW ERA
JUNE 28 – JULY 2 2004

**Economic Governance in Post-Conflict States:
Lessons from Afghanistan and Iraq**

This session featured lessons learned from USAID's efforts to rebuild the basic systems of economic governance in post-conflict states.

Steve Lewarne, Senior Vice President of the Services Group, provided a historical overview of the role of economic governance in war-torn economies from the Marshall Plan to Iraq. Pre-planning for the Marshall Plan was comprehensive and put forward an essential list of steps, including both humanitarian relief as well as support for economic governance and institution building. Subsequent reconstruction programs have become crowded with donors and competing objectives. Experience has shown that economic governance is one of the essential first steps in reconstruction. The basic economic governance elements that need to be addressed in a war-torn economy are monetary reforms; fiscal policy; administrative, legal, and regulatory reforms; trade reform; and privatization. The presentation briefly examined three large USAID reconstruction projects: Kosovo, Afghanistan, and Iraq.

Fran Greaney of BearingPoint examined the USAID-funded economic governance project in Afghanistan that began in November 2002. The presentation highlighted efforts in customs reform and monetary stabilization. The customs reform project in Afghanistan was comprehensive. It aimed to streamline the clearance process, establish a WTO-compliant customs valuation system, develop new customs codes and laws, establish a licensed custom brokers system, implement a harmonized tariff coding system, simplify the tariff policy, ensure rational personnel deployment and upgrade staff skills, and update customs facilities. The monetary stabilization project sought to reestablish the authority of the Central Bank, introduce a new currency, and establish an intervention mechanism to maintain a stable currency. The presentation stressed that in order to build capacity in economic governance, it was necessary to recruit qualified Afghan staff (including ex-pats, repatriating Afghans, and local Afghans), offer on-the-job training, and provide classroom training.

Mayada El-Zoghbi, Partner at Global Microenterprise Initiatives LLC, reported on the role of microfinance in conflict-affected countries. Microfinance is important in conflict-affected countries for many reasons, particularly due to the scarcity of jobs, the disruption of government and social safety nets, and the lack of a functioning banking sector. Microfinance is a tool that can be implemented and prosper under these conditions. However, there are certain conditions that must be met for microfinance programs to be successful, such as relative political stability, relative population stability, economic activity, and a cash economy. USAID has not been active in microfinance immediately after a conflict and generally waits several years before getting involved. Other donors have been more active in this area, including the World Bank, United Nations agencies, bilateral donors (DFID, CIDA, SIDA, Japanese, etc), the European Bank for Reconstruction and Development, and the International Finance Corporation.