



CARE International in Afghanistan

Policy Brief

Promises made...

To the Afghan people we make this commitment. The conflict will not be the end. We will not walk away, as the outside world has done so many times before.

Tony Blair,
October 2, 2001

We will work to help Afghanistan to develop an economy that can feed its people. We are working in the best traditions of George Marshall. Marshall knew that our military victory in World War II had to be followed by a moral victory that resulted in better lives for individual human beings.

George W. Bush,
April 17, 2002

I am determined to ensure that the European Community remains fully engaged in Afghanistan even if world attention shifts to other places of conflict and post-conflict rehabilitation.

Chris Patten,
Commissioner for External Relations in
the European Commission,
September 5, 2002

but not kept...

We would like to remind our friends that the majority of the financial pledges made to Afghanistan in the Tokyo Conference are still unfulfilled.

President Hamid Karzai,
Speech to UN general Assembly
September 12, 2002

Rebuilding Afghanistan: A Little Less Talk, a Lot More Action

On October 7 last year, when the Coalition began its war against the Taliban and al-Qa'ida, it made a promise to ordinary Afghans. This time, they were told, the Afghan people would not be the victims, because Coalition members would help them rebuild their lives and livelihoods once the war was over. One year later, Afghans are waiting, and they are worried. They know Afghanistan is unlikely to continue receiving extensive media coverage. They believe new frontiers for the "war on terror" will open up elsewhere. Those funding promises now look increasingly suspect.

In this policy brief, CARE International looks at the funding situation for Afghanistan, and aims to put it into perspective for policy makers and other interested parties. We conclude that, despite the rhetoric, the donor community wants to fund its relationship to Afghanistan on the cheap. This aim not only breaks a promise; it is strategically unwise, in both the short and long term. CARE recommends the following.

Recommendations

1. Major donors should pledge and deliver at least US\$10 billion over the next five years for reconstruction in Afghanistan.
2. Funds for *both* emergency work and reconstruction should be made available with urgency so that Afghans are not forced to choose between the two.
3. Firm commitments should be made now to increase funding each year over the next five years.
4. Donors should build the capacity of the Afghan authorities to assume strategic leadership for the country's reconstruction.
5. Donors should articulate and agree upon a clear plan for ensuring adequate security in Afghanistan, and then provide the necessary financial support.

Under-estimating needs

In Tokyo, donors pledged \$5.25 billion for the reconstruction of Afghanistan between 2002-2006.¹ For 2002, approximately \$1.8 billion was pledged.²

How much support does Afghanistan need for reconstruction? The

World Bank determined in January 2002, that, as a “base case”, Afghanistan would require \$10.2 billion over five years—about twice that actually pledged in Tokyo³ (table A). Most experts, including US policy makers, concede that it will take considerably more than that.⁴ If Afghanistan were to receive the average of aid spending levels per capita from four other recent post-conflict settings (graph B), it would receive \$6 billion in 2002 and more than \$30 billion over five years.⁵

Yet, reconstruction needs in Afghanistan are significantly *higher* than the four other settings in graph B. Afghanistan’s twenty-three years of war, fueled by one external actor or another, has brought its economy to a standstill. Multinationals are not banging on Afghanistan’s doors waiting to invest. There are few factory doors to unlock. Core infrastructure—roads, airports, power, hospitals, schools, irrigation and water supply—have been destroyed on a massive scale. Wage rates in rural areas are as low as 30 cents a day for those who can find work.⁶ As many as 700,000 arms may remain outside official control, in the hands of young men who have little opportunity for legitimate economic gain.⁷ No other country has more mines and unexploded ordnance.

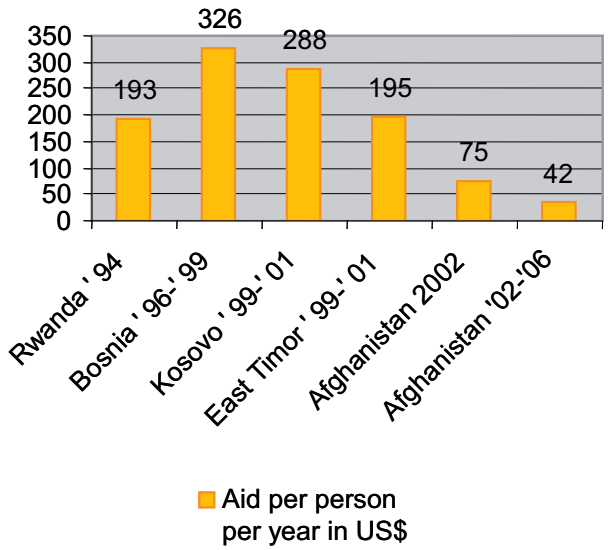
Rebuilding Afghanistan’s basic infrastructure over the next decade is achievable. Labor intensive reconstruction projects could, among other things, strengthen Afghan self-reliance, facilitate a massive disarmament campaign, kick-start a starved economy, and provide the private sector with the infrastructure it needs to get going. At current pledge levels, none of these things will happen.

A. Top Ten Reconstruction Donors (by pledge)

Donor (duration)	\$ millions
1. European Union (various)	2,119
2. World Bank (3 years)	570
3. Iran (6 years)	560
4. Asia Dev. Bank (2.5)	500
5. Japan (2.5)	500
6. USA (1)	297
7. Saudi Arabia (4)	220
8. India (2)	100
9. Pakistan (6)	100
10. Canada (1.25)	63

Totaling more than 95% of overall pledges \$ 5,029

B. Actual Aid Spent in Other Post-Conflict Settings vs. Pledges in Afghanistan



Key Finding:

In four recent post-conflict settings, donors spent an average of \$250 per person per year in aid. In Afghanistan, they have pledged \$75 per person for 2002, and \$42 per person over the next five years.

Recommendation One:

Major donors should pledge and deliver at least US\$10 billion over the next five years for reconstruction in Afghanistan.

The trickle is down

As the shortfall in funding commitments becomes increasingly obvious, the US and the Europeans are starting to point fingers at each other. US officials argue that disbursements from the

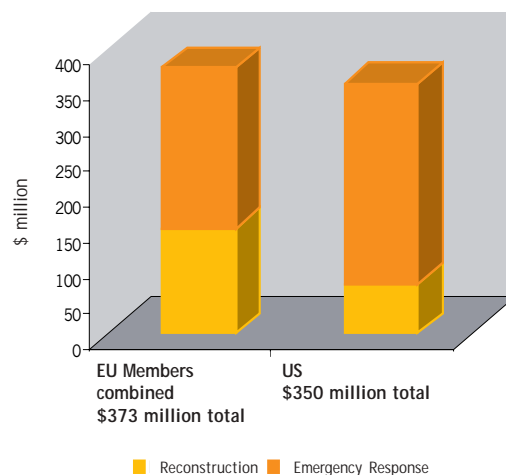
Europeans are moving too slowly.¹ The Europeans, who are focusing more on reconstruction than emergency response, claim to be on schedule² and are urging the Americans to put more money into long term rebuilding. Table C shows how major donors³ fared in terms of keeping their pledges for 2002.⁴

As Kofi Annan stated in Tokyo, “\$10 billion...is the estimated cost of reconstruction. This is separate from and must be additional to any commitments already earmarked for humanitarian relief”. Yet, emergency needs in 2002 have soaked up much of this year’s disbursements (graph D).⁸ Three key factors increased emergency needs: 1) Instead of the 800,000 returnees projected in Tokyo last January, two million are expected to return this year, 2) a fourth year of drought continues to choke the recovery of the agricultural sector in the center and south of the country, and 3) ongoing insecurity is stifling the reconstruction effort. The government continues to voice concern that “the vast majority” of funds spent to date “have been spent on meeting humanitarian needs.”⁹

With reconstruction all but stalled and economic hardship on the rise, many of the summer’s returnees may become the winter’s refugees. Without adequate funding for *both* emergency needs and reconstruction, need will turn to resentment, which in turn, will inflame insecurity, making reconstruction increasingly difficult, and future emergencies more likely. The donor community does not have much time to avert this downward cycle of despair.

C. Donor performance against pledges (US \$, millions)			
Donor	Tokyo pledge	Spent	
		US \$	% of pledge
Netherlands	62.7	77.7	123.9
USA	297.0	350.0	117.8
India	50.0	41.7	83.4
Canada ⁵	64.5	45.15	70.0
World Bank	150.0	100.0	66.0
Germany	75.0	45.0	60.0
Iran	93.3	53.0	58.0
Eur. Union ⁶	260.0	145.0	55.0
S. Arabia	55.0	27.0	49.2
UK ⁷	57.0	25.65	45.0
Japan	250.0	102.0	40.8
Asia Dvt Bank	50.0	0.0	0.0

D. Where are the Funds Going?



Key Finding:

Donors have been slow to release funds for reconstruction. The majority of funds spent have been on emergency assistance, not reconstruction.

Recommendation Two:

Funds for *both* emergency work and reconstruction should be made available with urgency so that Afghans are not forced to choose between the two.

Building up a base for business

No-one, least of all Afghans, want Afghanistan reliant upon aid. Long-term growth plans must look to the private sector generally and Afghan entrepreneurship in particular. Reconstruction aid should not replace market dynamics, but stimulate them by laying the foundation for a thriving and just political economy. The Afghan government knows this. Their National Development Framework strongly favors market based entrepreneurship.

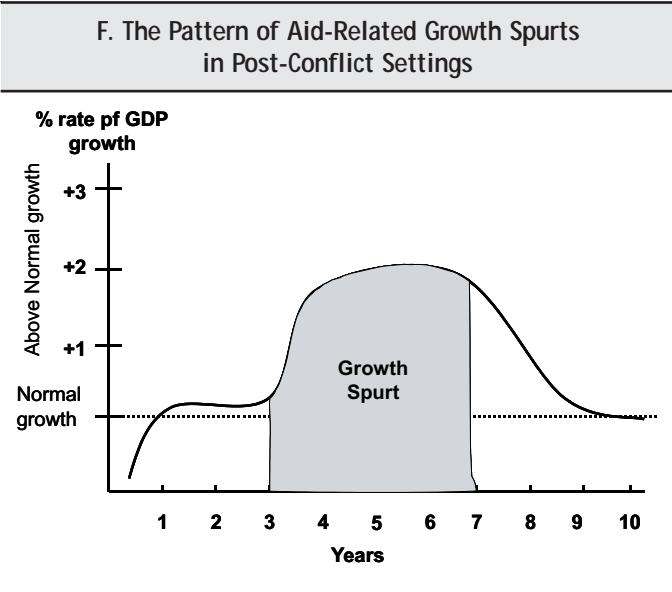
Yet the business community, both in Afghanistan and internationally, are wary. They are waiting for 1) some guarantee of security in Afghanistan, 2) the emergence of a stable and market-oriented political authority, and 3) adequate infrastructure to allow them to do business.

Aid should be used to create these conditions over the next five years. Yet, donors have refused to commit, much beyond rhetoric, to addressing these major issues over the long haul. Ironically, they blame the lack of security, the fragility of the government, and low absorptive capacity in this environment as three major impediments to releasing funds. By adopting a “wait and see” stance, they are sending a powerful and disturbing message to the already jittery private sector. Table E shows the current length of donor pledges. Only six donors have committed to 5 years or more.

E. Length of donor pledges			
one year	1.25-5 years		5 years or more
Italy	Austria	Japan	Belgium
Luxembourg	Australia	Korea	Eur. Commun'y
Netherlands	Canada	S. Arabia	Iran
Norway	Denmark	Sweden	Pakistan
United States	Finland	Switzerland	Turkey
	Germany	Taiwan	United Kingdom
	Ireland	World Bank	

A recent study of 62 different countries showed that post-conflict economies go through aid-related growth spurts after several years of peace (graph F). The study concluded: “from the perspective of effective use of aid for economic recovery, aid volumes should gradually build up during the first few years of peace, and gradually revert to normal levels after around a decade.”¹

If donors want Afghan entrepreneurs to lift their country out of poverty, they will have to put the right incentives in place. This will require donors to make firm multi-year commitments that grow over the next five years. Because Afghans should not be asked to mortgage their future, those commitments should come in the form of grants not loans.



<p>Key Finding: Reconstruction aid in post conflict settings can lead to growth spurts and economic recovery, if aid is increased gradually over time.</p>	<p>Recommendation Three: Firm commitments should be made now to increase funding each year over the next five years.</p>
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Strengthening Afghan Government Capacity

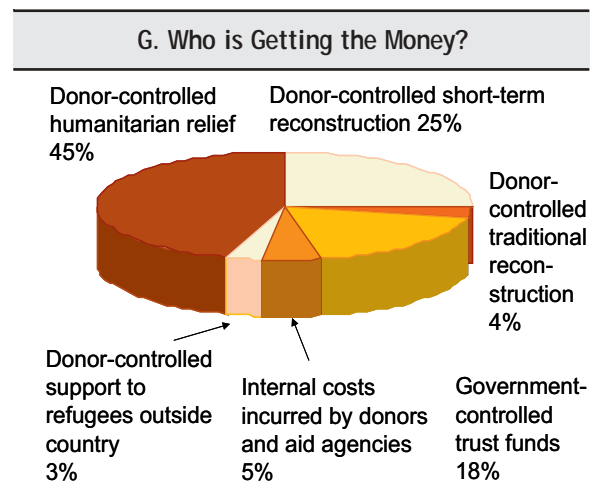
Donors have put the Afghan Authorities in a Catch 22: They won't receive funds until they demonstrate capacity, but they can't build capacity without funds. Each month without funding makes it harder for the government to achieve credibility by satisfying the expectations of its people.

Donor concerns about governmental capacity are understandable: Many ministries reside in run down buildings where electricity is a luxury. Most civil servants are paid an average of \$30 a month. Qualified Afghan men willing to work at such rates are rare; qualified women (after six years of Taliban oppression) are even rarer. Financial accountability mechanisms are nascent, where they exist at all.

For these reasons, it may be impractical for donors to abdicate all control over resources for Afghanistan. Too much work needs to happen now by those with the immediate capacity to get things done. But donors must work more urgently on transferring strategic leadership to the Afghan government. If corruption and wastage are potential pitfalls, incentives should reward governmental effectiveness and accountability while punishing failure. If capacity is weak, donors should support salary increases that attract Afghan talent from home and abroad.

At present, the Afghan government's modest operating budget of \$460 million this year remains un-funded by more than 50%¹ and disbursements to the Afghan Reconstruction Trust Fund ("ARTF") remain at less than 10% of requested levels. Less than one-fifth of donor funds have gone through government channels, (chart G²), and all of that funding has covered operational costs. Despite the United Nations promises that expatriates would not be "fronting the operation" in Afghanistan, more than 500 international staff continue to run the UN's humanitarian and reconstruction programs.³ In reality, the Afghan authorities have minimal strategic control over the disbursement of aid funds for reconstruction.

It's not as if they lack an opinion on how and where money should be spent. Since January 2002, President Karzai has been asking for road building funds and gotten a pittance. His thinking makes sense: road investment will legitimize the Afghan government with its people and lay the infrastructural foundation for a vibrant Afghan economy. The United States' recent allocation of \$80 million, together with \$100 million from the Japanese and Saudis, will repair less than half of the 808 kilometer Herat-Kabul road. That leaves more than 4,000 kilometers of primary highway in need of repair (not to mention the 18,000 kilometers of secondary and feeder roads).⁴ It is small wonder President Karzai commented to the UN General Assembly in September 2002, that "the donor community is slow to answer to our repeated demand for reconstruction of highways."⁵



Key finding:
The Afghan Authorities have minimal strategic control over the disbursement of aid funds for reconstruction.

Recommendation Four:
Donors should build the capacity of the Afghan authorities to assume strategic leadership for the country's reconstruction.

Rebuilding Afghanistan piece by piece by peace

Above all, Afghans want peace. Without the promise of security, reconstruction projects will stall, multinational investors will stay away, and local entrepreneurs will be slow to invest, while Afghanistan's darker forces—drugs and arms traders and the men of violence—will once again choke the economic and political life out of the country.

Donors know this, yet they have refused to respond with urgency. There is still no viable international plan for ensuring adequate security in Afghanistan, and the situation is getting worse. Over the past six months, security has continued to deteriorate, not only in rural areas under the control of regional warlords, but even in Kabul, where an international peacekeeping force (ISAF) is present. Most experts agree that the 4,500 strong ISAF force is a wholly inadequate response to the security situation in Afghanistan.¹

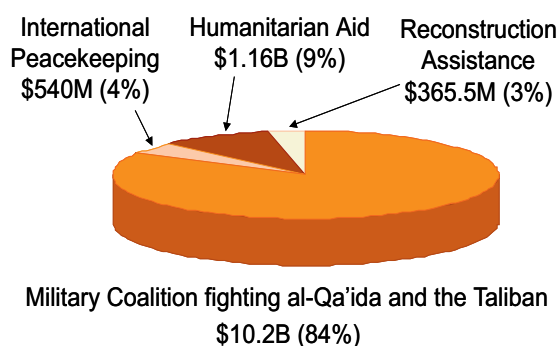
The only response of donors so far is that they are training and equipping a national army and police force over a period of years. Yet, at projected rates of investment and training, at the end of the two year transition, the Afghan security force will have less than one-third of the personnel they believe they need. In the meantime, Afghanistan's hopes of a stable peace may well have gone up in smoke.²

As chart H indicates, most international funds spent in Afghanistan in the last twelve months have gone towards the war against al-Qa'ida and the Taliban.³ While CARE does not question the importance of fighting terrorism, we do believe that promoting a general peace in Afghanistan is key to that effort. A greater proportion of security-related resources going into Afghanistan should be spent on peacekeeping, humanitarian response and reconstruction.

While the rhetoric of donors, and the US in particular, has shifted back and forth regarding support for ISAF expansion, financial and troop support has not followed.

ISAF expansion is only part of the security equation. Whereas reliance on local commanders helped to topple the Taliban and minimize coalition casualties last Autumn, those same commanders, claiming to represent political factions and ethnic groups, are now among the greatest threats to stability in Afghanistan. The United States in particular needs to pressure its erstwhile allies to give up the use of arms. Afghanistan needs a multi-ethnic, non-factional force loyal to central authorities. It does not need a resurgence of warlords who believe they have "special relationships" with the international community.

H. International Funds Spent in Afghanistan Since October 7, 2001



Key Finding:

The National Army will not be trained in the next two years. Meanwhile, funding of peacekeepers, at an estimated 4% of international funds spent in Afghanistan since Oct. 7, 2001, is inadequate.

Recommendation Five:

Donors should articulate and agree upon a clear plan for ensuring adequate security in Afghanistan, and then provide the necessary financial support.

Endnotes

The data in this brief is drawn from documentary evidence and from a series of interviews in Kabul with officials from the Afghan government, USAID, the European Union, Canada, Japan, and the World Bank.

Page 2: Underestimating needs

¹ Donor Assistance Database of the Afghan Government ("DAD"), updated September 7, 2002.

² Figure taken from DAD. The Special Advisor to the SRSG (working on resource mobilization) calculates the initial Tokyo pledge for 2002 at \$1,749 billion.

³ In its "high case" scenario, the World Bank Preliminary Assessment (January 2002), projected that funding requirements would be \$12.2 billion over five years and \$18.1 billion over 10 years.

⁴ As Sen. Joseph Biden wrote, "To date, total international pledges - about \$5 billion - have fallen far short of that legacy and well below the \$20 billion-plus that most experts believe Afghanistan will need to build a self-sustaining future. All of us have to do better, faster." *Boston Globe*, June 28, 2002.

⁵ The estimate for Afghanistan was based on a constant population of 25 million. With this year's influx of 2 million refugees and population expected to grow to 35 million in 10 years (see World Bank 2002 at 27), the actual level of per capita aid will almost certainly be lower. Rwanda data from http://www.um.dk/danida/evalueringsrapporter/1997_rwanda/b3/book3.asp Bosnia data from <http://www.worldbank.org/html/extdr/extme/pr052099a.htm> and <http://www.oecd.org/gif/M00001000/M00001474.gif> East Timor data from <http://www.atimes.com/se-asia/AL18Ae02.html>

⁶ "World Bank Preliminary Assessment (January 2002) at p. 30.

⁷ AFP, April 11, 2002, Up to 700,000 People Still Armed. This figure may be too high of an estimate. The Ministry of Defense estimates that approximately 350,000 soldiers are still armed.

Page 3: The trickle is down

¹ As Arthur E. Dewey, Assistant Secretary Of State for Population, Refugees and Migration, noted in a press briefing on September 11, "the US is the champion and the predomi-

nant financial supporter of the multilateral relief and recovery effort in Afghanistan. We desperately need our flagging and all too unilateralist allies, especially from Europe, to join the multilateral bandwagon and come up to their fair share."

² An EC press release of September 12, 2002 asserts that €100M of €120M for reconstruction and €45M of €60M in humanitarian support has already been disbursed, and the remainder, not due until October, will be disbursed then.

³ Includes only those donors pledging \$50 million or more for 2002.

⁴ Figures taken from both from the Government's DAD and from figures put together by the office of the Special Advisor to the Special Representative of the Secretary General.

⁵ The UNAMA and DAD figures estimate Canada to be at a 50% disbursement rate, but a phone interview with CIDA confirmed that the figure is higher.

⁶ Represents the pledge by the European Commission. The pledges of EU member states are listed separately.

⁷ Figures drawn from phone interview in August, 2002.

⁸ The EU total figure of \$370 million (combining pledges for the European Community and individual member states) is based on DAD figures, the humanitarian % (of \$225 million) is an estimate from a report by the European Commission Humanitarian Affairs Office (ECHO) on July 17, 2002. The US total figure of \$350 million is also based on DAD figures—and does not reflect funds contributed in 2001 (before Tokyo). The humanitarian-reconstruction breakdown is an estimate drawn from interviews with USAID officials.

⁹ Government of Afghanistan, estimates of Aid Pledged and Aid Delivered, 9 July 2002.

Page 4: Building up a base for business

¹ The research is summarized in World Bank, Conflict Prevention and Reconstruction Unit, Aid Policy and Growth in Post-Conflict Countries at 3 (April 2002). The study found, "The typical country experiences a temporary growth spurt of around two percentage points per year in excess of normal growth. This growth spurt is largely, or entirely, dependent upon aid: for given policies aid is more than twice as productive in post-conflict circumstances, and so at normal levels of aid, growth is higher. In the absence of aid there would be no growth spurt."

Page 5: Strengthening Afghan Government Capacity

¹ Afghanistan Government, Remarks to the G8 Working Group on Afghanistan Security, 9 July 2002.

² Figures are drawn from the DAD. As their document notes "much of this reconstruction assistance is emergency/short term assistance. Very little aid indeed has gone to conventional reconstruction" such as transport, power, telecommunications or other infrastructure".

³ On December 5, 2001, Mark Malloch Brown, head of UNDP, stated: "The political need for an Afghan face to this operation together with likely long-term security issues means that this must be an expat-light operation with outsiders playing key backroom roles in financial control, capacity-building, management, strategy and evaluation but not fronting the operation."

⁴ Figures on the length of the road system and costs of repair are drawn from the Infrastructure Development Institute, Japan (IDIJ): Afghanistan: Present State of Transport Infrastructure, August 2002.

⁵ While the European Union, World Bank and Pakistan have also committed to rebuilding small sections of the primary highway, the funds allocated do not approach the \$1.6 billion suggested in the IDIJ report.

Page 6: Rebuilding Afghanistan piece by piece

¹ The Henry Stimson Center in Washington DC has authored a detailed study suggesting that at minimum (to secure major urban centers and key communication routes) a force of 18,000 in the first year would be required. (www.stimson.org/fopo)

² Schmitt, Eric, A New Afghan Army Takes Shape with GI's as Trainers, *New York Times*, 15 May, 2002. The Afghans project that they will require a force of 60,000 to provide security in the country.

³ The estimates in the chart are drawn from the following sources: 1) US-led coalition spending: the FY2002 Congressional Budget Office estimate of the operating costs for the war in Afghanistan. 2) International peacekeepers: factors the number of peacekeepers (4,500) by the per troop per annum costs for non-US troops (\$120,000) using Henry Stimson Center data (see www.stimson.org/fopo). 3) Humanitarian aid. Uses DAD estimates: We are assuming that the vast majority of spending in 2001 (\$614 million) occurred after October 7, 2001 and was overwhelmingly humanitarian. In 2002, the Afghan government conservatively estimates that of funding released thus far (\$941 million), at least 60% has been allocated to emergency relief. 4) Reconstruction funding. Assumes per DAD estimates, that the 40% remainder of \$941M in funds released this year is going to reconstruction assistance, either through aid agencies or government trust funds.



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I came here from Pakistan a few months ago. CARE helped me to rebuild my house. But I cannot stay here. My grapevines are dead. Our kerezes (traditional irrigation tunnels) are destroyed. Our raisin factories are empty. There is no work. I will have to take my family to Pakistan soon.

Seyed Kebar,
Interviewee in Shomali Valley,
September 2002



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Paul Barker

Key Findings

1. In four recent post-conflict settings, donors spent an average of \$250 per person per year in aid. In Afghanistan, they have pledged \$75 per person for 2002, and \$42 per person over the next five years.
2. Donors have been slow to release funds for reconstruction. The majority of funds spent have been on emergency assistance, not reconstruction.
3. Reconstruction aid in post conflict settings can lead to growth spurts and economic recovery, if aid is increased gradually over time.
4. The Afghan Authorities have minimal strategic control over the disbursement of aid funds for reconstruction.
5. The National Army will not be trained in the next two years. Meanwhile, funding of peacekeepers, at an estimated 4% of international funds spent in Afghanistan since Oct. 7, 2001, is inadequate.

Policy brief by CARE International in Afghanistan.

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For further information, contact

Paul Barker, Country Director
CARE Afghanistan
barker@care.org

Paul O'Brien, Afghanistan
Advocacy Coordinator
CARE International
pobrien@care.org

