

Nexus between Aid and Security: Country Study of Afghanistan

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Introduction

Subsequent to 9/11, the US.-led invasion of Afghanistan in 2001 has brought the whole world attention to the this region, especially to Afghanistan & Pakistan. However, despite of billion of dollars aid pouring to this region, the effect of aid has neither satisfied the donor nor the people Afghanistan as a donor for a tangible results for achieving the security & development goals. Therefore, foreign aid does not seem to have won the hearts & mind of the Afghan citizen. This is due the fact that despite of having PRSP, called Afghan National Development strategy (ANDS) unemployment, poverty, corruption, insecurity & narcotic trafficking & warlords have dominated the present development situation in Afghanistan. The counter-insurgency (COIN) doctrine and the President Obama strategy should focus on the destabilization effects of corruption while promoting efficient & accountable government with renewed appointment of General David Petraeus.

Five Major Issues in Foreign Aid

A. Present Aid Situation (D-PIGS):

1. Dependency on F. Aid
2. Poverty, Unemployment, Low Productivity, Slow export growth
3. Institutional deficiency & lower absorptive capacity
4. Governance with corruption & dishonored & non-compliance of laws & contracts
5. Security-based with unsustained development

Five Major Issues in Foreign Aid

B. Major Challenges (ESCAP):

1. Economic stagnation & lower level of Human Development
2. Social disparity & ethnic problems (NOT addressed by many international community)
3. Cultural diversification along with aid sensitivity and the feeling of lower spirits & losing of national sovereignty, yet higher expectation
4. Accountable & Undesirable level of capacity crippled with corruption
5. Political/Governance along with political willingness & realistic commitments

Five Major Issues in Foreign Aid

C. Policy Reform Options (QRST-T):

- Timing: ST vs. LT projects
- Types: Grants vs. Loan, Direct vs. Indirect, Bilateral vs. Multilateral , NSC vs. NSC, NGOs vs. Gove's Budget
- Quality vs. Quantity, free hand vs. conditionality & Costs vs. Values
- Social values & cultural norms
- Repayment issues, including risk management, Paris Declaration, ACCRA, G-20

Five Major Issues in Foreign Aid

D. Given Suggestions(OPTAS):

- Ownership in using F. Aid, including PFM
- Priority based Aids, aligned with MDG considering Harmonization
- Transparency (IATI)
- Accountability (mutually), yet responsibility th solid benchmarks tied with timely, accurate & relevant reporting
- Sustainable Aids while focusing on capacity building & transfer of knowledge & technology

Five Major Issues in Foreign Aid

E. Forward Looking(NICE-P):

- New Issues: Aid for Trade, Doha Round, Duty Free vs. Quota Free, RTAs, philanthropy vs. Security/strategic related aid
- Individual national diagnostic NO One prescription for all
- Change/reform of aid architecture
- Emerging vs. Traditional Donors operating outside OECD/DAC
- Predictability & Sustainability vs. Unpredictable ODA & predictable bilateral EU & Japanese Aid

Kabul Conference-Future Aid Policy

- The Kabul Conference, scheduled for July 20-21, which was the most important meeting Afghanistan has ever held, drew foreign ministers from more than 60 nations to Afghanistan, including Secretary of State Hillary Clinton and U.N. Secretary General Ban Ki Moon, to review government projects the international community hopes would kick start the economy.
- The Afghan Government asked for more control of US\$ 13 billion pot pledged to reconstruct the war-torn country, while critics accuse the government of squandering millions in foreign aid since the Taliban's 2001 ousting. However, President Hamid Karzai said most waste occurs on development projects outside official control, and he wanted direct access to foreign aid (at least 50 percent) in which the Afghan Government has been responsible for its only 20 percent spent, and most of that has been well managed.
- It is hoped that aid to be committed in the Kabul Conference with adequate safeguards and oversight will not have a major destabilizing effect on corruption by spending more stabilization funds in coordination with Provincial Reconstruction Team (PRT) in less secure regions of east, south and south west., such as Helmand, Kandahar. Khost, Ghazni, Urozgan, Zabel & Farah.

Principles of Afghanistan's Aid Policy Strategy

- **A results-based approach**, with improved monitoring and evaluation of development programs and projects by both the Government of Afghanistan and donors;
- **Good governance.** Since good governance provides the broad setting for development and its quality has a profound effect on development success and aid effectiveness.
- **Building capacity.** Enhanced capacity—in public and private sectors—is also critical to sustainable development, where in the past aid did not provide enough support for local capacity development efforts to sustain these investments once donors had withdrawn support.
- **Engaging civil society.** Participatory processes, particularly those engaging civil society and the people expected to benefit, are essential to establishing clear, locally owned priorities so that aid is demand driven and has maximum impact.

Steps Taken for Effective Aid

- Establishment of ACCA (Aid Coordination Committee of Afghanistan in 2002
- Setting up of a Consultative Group (CG) structure, which organized external partners around specific areas of support under the leadership of a ministry.
- Making the Control and Audit Office (CAO) to work closely with external partners (donors) for addressing the vulnerabilities in external and internal audit mechanisms, the financial reporting framework and the system of internal controls
- Giving UNAMA the task to lead efforts in donor coordination by the UN Security Council.
- Establishment of the Afghan Reconstruction Trust Funds (ARTF, LOTFA, CNTF), administered by the World Bank while channeling aid via Government Budget.
- Following the PRSP called ANDS in which the three main pillars namely security, governance & social & economic development are to be synchronized.
- Afghan Development Forum (ADF), London Compact & Paris Conference were held to coordinate aid for bringing aid effectiveness while establishing Joint Coordinating Monitoring Board (JCMB) co-chaired by the Afghan Government & UNAMA.

Aid Priorities & Development Compact

Decades of evidence show that billions of dollars in foreign aid has lined the pockets of corrupt government leaders and undermined political accountability. Between 2002 to 2008 a total aid of US\$14,7 billion was disbursed and US\$26,4 billion was committed but not disbursed and US\$14.8 billion was pledged(not committed/dispursed)*. Although these aid are supposed to be used in development project, prioritized in ANDS, recent report from wall Street Journal that U.S. authorities believe top Afghan officials and their associates have openly shipped more than \$3-billion in cash over the past three years to bank accounts abroad. According to the report, officials believe that most of the cash comes from funds skimmed from Western aid projects and U.S., European and NATO contracts to provide security, supplies and reconstruction work. Profits from opium and extortion are also believed to be a source of the money. No wonder, Rep. (US Congress)Nita Lowey announced on June 28 that she would not support foreign aid for Afghanistan until she was assured that the Afghan government had put an end to corruption

Source: Matt Waldman, "Falling Short: Aid Effectiveness in Afghanistan", *Oxfam International*, March 2008, p. 25.

ANDS Goals for Poverty Reduction

The Afghan National development Strategy (ANDS) has been developed to articulate the Government's policies for reducing poverty and improving development outcomes—which will rely heavily on maintaining macroeconomic stability and cultivating sources of growth, particularly in the private sector. It has the following three main pillars with few cross-cutting issues

1. **Security** by achieving nationwide stabilization, strengthening law enforcement, and improving personal security for everyone with increasing numbers of army & police as well as disarmament of illegal armed group and removing unexploded ordnance .
2. **Good Governance, Rule of Law, and Human Rights** by Strengthening democratic practice and institutions, human rights, the rule of law, delivery of public services, and government accountability
3. **Economic and Social Development** by reducing poverty, ensuring sustainable development through a private sector-led market economy, improving human development indicators, and making significant progress toward achieving the MDGs. Emphasis will be on developing Infrastructure and natural resources, energy, agriculture and rural development, transportation, mining, water resources management, ICT, urban development, education, culture and media, health and nutrition and social protection.

Cross Cutting Issues , such as elimination of narcotics industry, anti-corruption, capacity development, gender equity, environment and regional cooperation.

The Challenges of ANDS

- The Afghan Government remained under immense pressure from the IMF, the World Bank, USAID and other major funding organizations to adopt specific policies and meet deadlines that unquestionably stepped up the pace of the process and not only affected the quality of work, but also widened the gap in understanding and weakened consensus among the stakeholders.
- As well as the government's dependency on foreign aid, which limits its ownership of development policies, the dearth of technical capacity within government institutions to devise policies and strategies also reduced national influence in the decision-making process. A lack of coordination within the donor community and between the government and donors resulted in poor prioritization and harmonization of development priorities.
- On the other hand, the approval of the ANDS ensured Afghanistan's eligibility for economic incentives under the IMF-backed HIPC initiatives and resulted in the government securing a commitment of more than US\$20 billion in foreign aid for the development of the country. In addition, it still has the potential to provide a platform for all stakeholders involved in development to ensure better coordination of development activities and improve the ownership of the Afghan Government. However, the question remains as to whether the ANDS can be successfully implemented and if it can be used to effectively coordinate development efforts and reduce poverty?

Source: The Afghanistan Research and Evaluation Unit (AREU) is an independent research

- organization based in Kabul

Why Insecurities

- Building an effective state - that can provide security and services to the people, while protecting their rights - has always been at the heart of the reconstruction effort in Afghanistan. However, insecurities due to non compliance, which hamper policy implementation, come from various factors, such as ideology, material entitlements and incentives, grievance and revenge, authority and obedience and coercion and enforcement.
- The insecurity actors who commit violence regularly or irregularly can be called enemies, irregular adversaries, spoilers, opposing sides and other noncompliant actors. They could be poppy cultivator, taxi driver, smuggler or warlord, NGO, community or religious leader or a foreign intelligence agent. Most of the casualties are by hostile fire and non-hostile causes after the improvised explosive devices.

Some Effects of Foreign Aid

- Although Afghanistan's economy has grown by 20 percent annually since 2002, this growth has largely been driven by foreign aid. Aid has risen by 25 percent annually since 2002, increasing from 32 percent of GDP in 2002 to 42 percent in 2008. These massive aid inflows have fueled corruption, and leave the economy exposed to destabilizing shocks once aid is withdrawn. Building a functional, self-sustaining Afghan economy is therefore vital to the success of the U.S. and coalition mission in the country.
- Investment in a circle road system linking Afghanistan's main cities around the central Hindu Kush mountain range going toward some Central Asian Countries, although construction has been marred in parts by shoddy work or graft.
- While energy capacity is still way below the 2,200 megawatts sought to fire-start manufacturing or mining, some 630 MW is now available compared with just 150 MW in 2001.
- Modern mobile technology has put even remote mountain communities in touch with the rest of the country totaling more than 7 million users; TV (with more than 12 private channels), radio and newspapers are flourishing, and a thirst for education has seen more than 7 millions of children attending school for the first time.
- Agriculture too has thrived, although no crop more than the poppies that make Afghanistan the source of over 90 percent of the world's heroin.
- Source: Council on Foreign Relation, January 11, 2010

Joint Donor Coordination & Monitoring Board

- The Joint Coordination and Monitoring Board (JCMB)
- (JCMB) was established by the Afghan government and the international community for overall strategic coordination of the implementation of the Afghanistan Compact and (2006) Afghan National Development Strategy (ANDS). The Annual ANDS Progress Report presents to the World Bank and IMF boards in the context of Afghanistan's work to reach the "completion point" under the Highly Indebted Poor Countries (HIPC) program.
- Based on annual progress and evaluation reports, every two years a full update of the ANDS/PRSP, developed with broad participation, constitutes as an impact evaluation. This update is publicly disseminated and provides an opportunity for the government to adjust policies to achieve desired results.

Oxfam Memo to President Obama for Afghanistan

1. Support an enhanced response to the humanitarian situation and the expansion of United Nations humanitarian personnel.
2. Support a robust expansion of rural development, especially agricultural.
3. Actively promote regional cooperation to address humanitarian issues.
4. Spearhead bold measures to enhance aid effectiveness.
5. Develop conditions under which Provincial Reconstruction Teams can shift their focus to achieving local security.
6. Press for major governance reforms to generate an effective and accountable Afghan government.
7. Take further substantive measures to prevent harm to civilians.
8. Ensure the establishment of a unified system of monitoring, accountability and compensation for harm to civilians and damage to their property as a result of military operations.
9. Press for the establishment of a United Nations-backed regional peace process, involving Afghanistan's neighbors and all relevant powers.
10. Support an effective national and community level peace-building strategy.

Aid Effectiveness from UN Perspective

Mark Ward of UNAMA described on December 26, 2008 the aid effectiveness in Afghanistan to Washington Post as Follows:

Nearly every observer of Afghanistan, from the most senior U.S. military officers to Washington think tank analysts and everyone in between, agrees that stability in that country demands a multipronged approach involving the military, diplomatic efforts and economic assistance. Having spent nearly the past five years as the senior career officer responsible for U.S. economic assistance to Afghanistan, I agree with those in the military who have said that 80 percent of the struggle for Afghanistan is about reconstruction and sustainable economic development and only 20 percent about military operations.

In the face of a heightened Taliban insurgency, the U.S. military has changed its tactics. However, if civilian U.S. agencies do not change the ways they deliver economic assistance, they jeopardize their chances for success and risk alienating the Afghan people.

Conclusion

- Donor aid needs to be more effective by establishing transparent & accountable system by making government accountable to the people, and probably increased.
- The Afghan government needs to be reformed to reduce corruption by building an effective civil service.
- The Afghan government should be given more control over its budget in order to encourage capacity building.
- The notion of a highly centralized state should be reconsidered in light of the reality of a weak government with decentralized power centers for Improving local governance and service delivery.
- A regional policy should be implemented to discourage external support for insurgent/terrorist violence in Afghanistan