International Aid to Afghanistan

and Its Importance in the Post-2014 Era

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Abstract

After almost 35 years of war, the Afghan economy is extremely fragile, and the country's future is mainly dependent on international aid. According to the World Bank, foreign aid has generated the majority of Afghanistan's GDP over the last decade. The political and security un-

certainties that the country now faces, represented by the upcoming presidential election and Transition Process respectively, could jeopardize its progress. Therefore, this article will first of all provides insights into the security handover period and its possible effects on the Afghan economy, by establishing a connection between security and economic concerns. The importance of the international aid received by Afghanistan to date is explained, in light of the need to create a self-sufficient Afghanistan by the end of the Transformation Decade. In this regard, the analysis will present recommendations on what the international community should do after 2014, and how to use the international aid efficiently.

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Afghanistan has been a theatre of war for almost 35 years. The Soviet invasion (1979-1989) was followed by a civil war and a Talibanled era until 2001. After the 9/11 terrorist attacks, the U.S. launch Operation Enduring Freedom, and since then there has been an American War in Afghanistan. Millions of Afghan people have been killed in these 35 years and millions more have been relocated for an indefinite period of time, and are trying to live under unacceptable conditions.

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Afghanistan has become an economically dependent country because of the poverty and lack of political cohesion in the country following the U.S.-led operation in 2001. The economic situation is in part the result of the insecurity and instability. Yet, especially in the last five years, the economic and security problems of this war-torn country have grown into a "cause and effect" relationship due to bad governance and high-level corruption.

Both the economy and the security situation of Afghanistan have improved. The country is experiencing

"the most advanced, most democratic, most secure and most prosperous era in the last 35 years of its modern history", but things could be better. One of the most important factors in Afghanistan's economic recovering is the ever-increasing inflow of the international aid/assistance.² The growth of the service and agricultural sectors has also had a positive impact on the economy; however, living conditions of the Afghan people remain among the worst in the world. The lacks of housing/shelter (especially in the areas which have higher number of internally displaced persons), medical care (in particular, midwifery), clean and safe water, public infrastructure, and high crime rates are some of the main issues that could give rise to serious difficulties for the Afghan government in the near future.

The unemployment rate—another negative factor in terms of the economy—has increased sharply, from 9 percent in 2009 to 15 percent in 2011.³ The top recruiting body of the state was the Afghan National Security Forces (ANSF); hence the total number of officers in the Afghan police and army has increased to 350,000 from

¹ Salih Doğan, "Post-2014 Afghanistan and the role of the United States", Strategic Outlook, 17 February 2013, at http://www.strategicoutlook.org/asia---pasific/news-post-2014-afghanistan-and-the-role-of-the-united-states.html

² The international community has pledged more than USD 67 billion between 2003-2010.

³ There are different statistics on the unemployment ratio in Afghanistan but these are the lowest ones, from Gallup. CIA World Factbook records show that the unemployment ratio in Afghanistan was 35% in 2008 (the most recent record).

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less than 40,000 in 2007. The quality of the Afghan national security forces could not match its growing size, due to insufficient training of new recruits. A substantial proportion joined simply to earn some money and earn a living for their family. They were neither willing nor qualified to fight against Taliban militants in a combat zone

This is one of the main reasons that led NATO to hand over the security control of the provinces and districts to Afghan forces in five stages rather than all at once. The first tranche was begun in March 2011, and Afghan President Hamid Karzai launched the fifth and final tranche of transition on 18 June 2013. The security issues were not prioritized exclusively, and the economic concerns were also borne in mind during the transition process.

Security Handover: Transition Process (2011-2014)

At the NATO Summit in Lisbon, Portugal on 19-20 November 2010, the *Integal* – the Dari and Pashtu word for transition – process was agreed

between NATO and the Afghan government. According to the long-term partnership agreement, the lead responsibility for Afghanistan's security will be progressively transferred from the NATO-led International Security Assistance Force (ISAF) to the Afghan National Security Forces. The goal was to have it completed by the end of 2014.⁴

President Karzai announced the first group of districts and provinces on 22 March 2011, in accordance with the decision proposed by the Joint Afghan-NATO Integal Board (JANIB), which was founded at Kabul Conference in July 2010 to manage decisions regarding which districts and provinces to transfer, based on security, governance, economic, development and the operational situation on the ground.⁵ Thus not only the competence of the Afghan National Security Forces and the level of security needed for Afghan citizens to carry out their daily lives but also the economic conditions and development of local governance were taken into consideration in JANIB's decisionmaking process.

In the months following March 2011, other stages of the *inteqal* were implemented according to the JANIB decisions. Once the final tranche has

⁴ Ian Traynor, "NATO maps out Afghanistan withdrawal by 2014 at Lisbon summit", The Guardian, 20 November 2010, at http://www.theguardian.com/world/2010/nov/20/nato-afghanistan-2014-withdrawal-lisbon

⁵ Jayshree Bajoria, "Security Transition in Afghanistan", Council on Foreign Relations, 22 March 2011, at http://www. cfr.org/afghanistan/security-transition-afghanistan/p24456

The successful conclusion of the Transition Process – if everything goes according to plan – will lead to the prioritizing of economic growth over security.

been successfully completed, the Afghan police and soldiers will be in charge of security across the whole country. It is anticipated that this period will be finalized by the end of 2014, when the combat mission of the NATO and U.S. troops concludes, and they leave the country. Those combat troops will be replaced by a small number of forces⁶, whose mission will be to train, advise and assist the Afghan police and soldiers. Following the end of the Transition Process, the Transformation Decade (2015-2024) will begin. NATO Secretary General Anders Fogh Rasmussen expressed his hopes for the country during this decade in a statement: "Afghanistan's future is clear: a country led by Afghans, defended by Afghans and working for the benefit of Afghans."7

The successful conclusion of the Transition Process – if everything goes according to plan – will lead to the prioritizing of economic

growth over security. This is urgently needed. Even if security and stability is achieved on all fronts in the post-2014 era, it will still take years for Afghanistan to manage its own economy. At present, Afghanistan is in need of international aid to enable the central government even to pay the salaries of the Afghan national security forces without it. This points to the fact that the international aid has been, and remains a key component of the Afghan economy, now and in the future.

Afghan Economy

I went to Afghanistan once to observe the 2009 presidential election, and spent a week in Balkh and Jowzjan provinces, in the northern part of the country. I spoke with local people in Agcha and Mazar-i Sharif. During my visit to Afghanistan in August 20098, I had the chance to visit Habibe Kadiri High School, founded by the Turkish Ministry of National Education in 2008, and I stayed there for two nights. The school had a small backyard, and part of it was being used for gardening. In that small garden, the school was producing 7-8 different kinds of vegetables and fruits including tomatoes, pomegranates, pears, apples, and peaches. From the top of the school building,

⁶ The exact number of troops that will stay in Afghanistan in post-2014 era has not yet been decided by the U.S. and other NATO countries. Many experts and researchers including the retired United States Army General Stanley Allen McChrystal have remarked that at least fifteen to twenty-five thousand troops should stay in the country after 2014.

⁷ Statement: NATO Secretary General on the ISAF Command handover, 18 July 2011. North Atlantic Treaty Organization's Official Website. http://www.nato.int/cps/en/natolive/news 76529.htm

⁸ Fore more information about my visit to Afghanistan, including the observation of the 2009 presidential election see, "Afganistan Başkanlık Seçimleri: Mezar-ı Şerif ve Akça Gözlemleri 1-2", USAK Gundem, at http://www.usakgundem.com/yorum/250/afganistan-seçimleri-mezar-ı-şerif-ve-akça-gözlemleri-1-.html & http://www.usakgundem.com/yorum/261/afganistan-seçimleri-mezar-ı-şerif-ve-akça-gözlemleri-2-.html

it was possible to see for miles across the city, but I couldn't see a single other fruit or vegetable garden.

After thinking about what I had seen from the terrace roof, it was easy to understand why no one else was cultivating fruit gardens. Even though the Agcha district and Jowzjan province was among the safest and most secure places in Afghanistan, local people were still living in fear of the Taliban. and some were still receiving threats. This situation puts them in a position whereby that they cannot see a future without war, battle, blood and tears. Otherwise, they would have no reason not to engage in gardening and farming in the small-scale cultivation areas around their villages and cities.

Today, the Afghan economy is much stronger than it was in 2009. The Gross Domestic Product (GDP - purchasing power parity) has almost doubled since 2009, and reached approximately USD 35 billion in 2013. Afghanistan's GDP comes from agriculture (24.3 percent), industry (23.3 percent) and services (52.5 percent) sectors according to Economist Intelligence Unit's (EIU) recent Afghanistan country report.9 The end of a long-term drought I_0 in the country spurred strong growth in agricultural sector during the last two years. Teal GDP growth increased from 7.2 perDespite the fact that the Afghan economy has developed at a remarkably rate since the collapse of Taliban in 2001, this growth is mainly due to the inflow of international aid and donor-led development projects.

cent in 2011 to 11.9 percent in 2012, according to the Asian Development Bank's recent report Asian Development Outlook 2013.¹¹ The total workforce increased to 15 million from 10 million people over the past decade due to population growth and returning Afghan citizens.¹²

Despite the fact that the Afghan economy has developed at a remarkably rate since the collapse of Taliban in 2001, this growth is mainly due to the inflow of international aid and donor-led development projects. In fact, Afghanistan is still exceedingly deprived and the Afghan economy is on a cliff edge, whereby any decrease in the international development aid could have a serious impact.

International Aid to Afghanistan Until 2013

Although there is not much information available about Afghanistan's economic situation during the civil war and the Taliban-led era, it is not

⁹ Country Report: Afghanistan, Economist Intelligence Unit, 3rd Quarter 2013, at http://www.eiu.com/FileHandler. ashx?issue_id=1590873943&mode=pdf

¹⁰ Favorable weather is quite important for the Afghan agriculture sector.

¹¹ Asian Development Bank, "Asian Development Outlook 2013: Asia's Energy Challenge", Part: Afghanistan, pp. 178-180, April 2013.

¹² Mehmet Yegin et al., "Afganistan'ın Geleceği Var Mı?", Analist, USAK Publications, Vol. 2 No. 17, July 2012, pp. 16-28.

Since the U.S.-led intervention in Afghanistan and the end of the Taliban regime in December 2001, the international community has pledged approximately USD 105 billion for reconstruction and development in Afghanistan

hard to say that times were tough, because of the wars in the 1980s and 1990s. The Afghan economy has always been predominantly dependent on agriculture, and the industrial sector was based on agricultural production. Therefore, it has long been among the poorest economies in the world. Accordingly, foreign aid has been crucial for Afghanistan's future in the post-2001 era.

The first international donors' meeting was held in Tokyo in 2002, with the view to rebuilding Afghanistan. As a result, nearly USD 6.3 billion was pledged for the following 5 years (2002-2006). Even though this amount was three times higher than Afghanistan's 2002 GDP, the country has remained among the world's fifteen least developed countries since then. On the United Nations Development Programme's Human Development Report - 2013, Afghanistan was ranked 175 out of 187 countries.

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approximately USD 105 billion for reconstruction and development in Afghanistan (Table 1). The post-9/11 era was a breakthrough in Afghanistan's economic history, as "Afghanistan moved to the top of the Official Development Assistance (ODA) agenda" for the first time since the end of the Cold War.

Table 1. Foreign Aid Pledged and Disbursed, 2002-2013 (USD in millions) 14

United States	79,879
Japan	13,150
European Union	2,880
Germany	2,680
Asian Development Bank	2,270
Britain	2,220
World Bank	2,140
Total	104,776

As of December 2011, a total of USD 70 billion had been disbursed. ¹⁵ This shows that international donors have failed to provide the amount that they promised. As of 2010, more than half of the total international aid has been spent on the security sector, and invested in the Afghanistan National Security Forces. ¹⁶ In 2011, due to the

¹³ Ministry of Finance, Islamic Republic of Afghanistan. "Development Cooperation Report 2010", Aid Management Directorate, Budget Department.

¹⁴ Source: Afghanistan Ministry of Finance (MoF), Development Cooperation Report 2012; Congressional Research Service Report for Congress. Note: Table includes international donors of over USD 2 billion.

¹⁵ Ministry of Finance, Islamic Republic of Afghanistan. "Development Cooperation Report 2012", Aid Management Directorate, Budget Department.

¹⁶ International Crisis Group, "Aid and Conflict in Afghanistan", Asia Report No. 210, August 2011.

increase size of the Afghan forces, 68 percent of the foreign aid disbursed within the year was assigned to security expenses.

NATO has announced that they will withdraw their troops from Afghanistan by the end of 2014. A new era called "Transformation Decade (2015-2024)" will start in Afghanistan, and will shape the country's future. However, the Afghan economy will still be dependent upon international aid for many more years, since in 2015, the Afghan government will not even have the budget to pay the salaries of 350,000 Afghan National Security Forces (ANSF).

The international community, mostly the U.S., pays for the majority of the ANSF's expenditures. As outlined by U.S. President Barack Obama at the NATO Summit in Chicago on 20-21 May 2012, international donors should pledge more money for the post-2014 era of Afghanistan for the Afghan army and police.

According to the Chicago Summit Declaration on Afghanistan, the Afghan National Security Forces (ANSF) will need an estimated budget of USD 4.1 billion per year for a 228,500 member Afghan force.¹⁷ The current size of the police and army in Afghanistan is around 352,000, requiring a budget of approximately USD 6 billion. Whether the size and

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cost of the ANSF should be cut was also considered; however, this depends on the status of Taliban reconciliation. Assumptions with reference to post-2014 Afghanistan should not be based exclusively on the assumption that "everything will run smoothly". If it doesn't, it will not be easy for Afghanistan to fund a USD 4.1 billion budget given that their GDP is around USD 20 billion. 18 It is extremely optimistic to say that 'Afghan economy will continue to improve during the Transformation Decade (2015-2024) and the financial support of NATO and the U.S. will gradually decrease'.19 Especially if the reconciliation of Taliban doesn't go well as is expected, it will be extremely difficult to talk about security and stability in Afghanistan, not to mention a stable economy.

¹⁷ Chicago Summit Declaration on Afghanistan, 21 May 2012. North Atlantic Treaty Organization's Official Website, at http://www.nato.int/cps/en/natolive/official texts 87595.htm

¹⁸ CIA World Factbook, "Country Briefing: Afghanistan", at https://www.cia.gov/library/publications/the-world-factbook/geos/af.html

¹⁹ Salih Doğan, "U.S. presidential election and the future of Afghanistan", Today's Zaman, 10 June 2012, at www.todayszaman.com/newsDetail getNewsById.action?newsId=283075

Future of International Aid to Afghanistan in the Post-2014 Era

On 5 December 2011, at an international conference in Bonn, Germany, Afghan President Hamid Karzai stated that Afghanistan will need at least USD 10 billion foreign aid per year for at least a decade.²⁰ In July 2012, Tokyo hosted the Afghan government and the international community (almost eighty governments, international organizations and other related parties) for discussions on the future of Afghanistan in the Transformation Decade. The importance of the Tokyo Conference (2012) was that it emphasized the amount of the foreign aid to be delivered for the social and economic development projects, not just security-related assistance.

International donors pledged USD 16 billion in development aid over a four-year period (USD 4 billion per year from 2012 to 2015) and according to the annex of the Tokyo Declaration –the Tokyo Framework of Mutual Accountability– up to twenty percent of the development assistance is conditional on the Afghan government's commitment and ability to take strong measures against corruption and implement good governance.²¹ Afghan President Hamid

Karzai has welcomed the volume of the development aid by announcing a week before the conference that USD 4 billion would be sufficient in line with the recent World Bank estimation, which suggests USD 3.9 billion a year throughout the Decade of Transformation.²² Yet, the governor of the Afghan Central Bank had declared that a total of 7 USD billion per annum would be needed for further economic development, months before the Tokyo Conference took place.²³

The United States, Japan and the United Kingdom were among the main donors at the Tokyo Conference. While U.S. officials have not declared an exact amount, saving that the figure will be in accordance with the average amount the U.S. has given over the last decade, Japan pledged USD 3 billion through 2016, with almost 75 percent of directed toward development projects, according to Japan's Foreign Minister, Koichiro Gemba.²⁴ Even though the pledged amount differs from country to country, all governments were of one mind regarding future aid (post-

²⁰ Howard LaFranchi, "Karzai: Afghanistan will need \$10 billion a year", The Christian Science Monitor, 5 December 2011, at http://www.csmonitor.com/USA/Foreign-Policy/2011/1205/ Karzai-Afghanistan-will-need-10-billion-a-year-but-that-sa-bargain

²¹ The Tokyo Declaration: Partnershipfor Self Reliance in Afghanistan From Transition to Transformation, Office of the President, Islamic Republic of Afghanistan, at http://president.gov.af/Content/files/Tokyo%20Declaration%20-%20Final%20English.pdf

²² Richard Hogg et al., Afghanistan in transition: looking beyond 2014. Directions in development; countries and regions. Washington DC: The World Bank, 2013, at http://documents.worldbank.org/curated/en/2013/02/17423299/afghanistantransition-looking-beyond-2014

²³ Jane Perlez, "\$16 Billion in Civilian Aid Pledged to Afghanistan, With Conditions", The New York Times, 8 July 2012, at http://www.nytimes.com/2012/07/09/world/asia/afghanistan-ispledged-16-billion-for-civilian-needs.html? r=2&ref=world&

²⁴ Arshad Mohammed and Kiyoshi Takenaka, "Donors offer \$16 billion Afghan aid at Tokyo conference", Reuters, 8 July 2012, at http://www.reuters.com/article/2012/07/08/us-afghanistan-clinton-idUSBRE86601120120708

2016), in that it shall be based on the performance of the Afghan government in areas of good governance, combating the widespread corruption, and promoting the rule of law and human rights.

The World Bank estimates that the economic growth of Afghanistan will slow in 2013 and 2014, since there are many political and security uncertainties in the final phase of the Transition Process.²⁵ Even the planned withdrawal of the U.S. and NATO troops by December 2014 could damage economic growth by two percent, as a consequence of the decreased foreign expenditure. It is likely that 50,000 Afghans could lose their jobs with the closure of the Bagram base alone, and this alone could affect up to 250,000 people who are the dependents of the those employees.²⁶ Any drastic decline in the international assistance in addition to upcoming withdrawals and closures could cause a reversal in progress. jeopardizing the achievements of the last 10 years.

Under today's conditions, Afghanistan may need more than USD 10 to 12 billion, since the salaries of the Afghan police and soldiers alone will cost more than USD 6 billion af-

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ter 2014. Despite billions of dollars in aid over the last decade, it is still not enough for Afghan government to offer a minimum standard of living to its people. In order to achieve the most important goal, which is to render the Afghan state and the economy self-sufficient by the end of the Transformation Decade in 2024, the international community, the Afghan government and Afghan people have a lot to do. There is no doubt that international aid will remain central in order for all the stakeholders to succeed in Afghanistan.

Conclusion & Recommendations

In Afghanistan, a new partnership needs to be built that includes Afghans, the government, international actors and the immediate neighbors to focus on the money come to the country. Therefore, a network of nongovernmental organizations (NGOs) should be created in Afghanistan, and humanitarian aid, especially the money from international actors, should be distributed through this network. This could better equip the authorities to make good use of international aid, ensuring that it reaches

²⁵ Claudia Nassif and Omar Joya, Afghanistan economic update, Washington DC; The World Bank, April 2013, at http://documents.worldbank.org/curated/en/2013/04/17659303/afghanistan-economic-update

²⁶ Khalid Koser, "Afghanistan 2014: Preparing for the Humanitarian Transition", Brookings Institution, 28 August 2013, at http://www.brookings.edu/blogs/up-front/posts/2013/08/28-afghanistan-humanitarian-koser

ordinary Afghans. Local researchers and experts have repeatedly lamented that only 10 to 20 percent of foreign aid reaches the Afghan people due to the endemic corruption in the Afghan government.

According to the 2012 Corruption Perceptions Index (CPI), an annual ranking published by Transparency International²⁷ (a non-governmental organization that inspects and publicizes political corruption worldwide), Afghanistan was ranked 174 out of 176 countries, 28 with a score of 8 out of 100 (where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as highly transparent).²⁹ This marks a significant regression over the past 8 years, given that in 2005, it was ranked 117 out of 159 countries. According to a recent report by the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC), the cost of corruption in Afghanistan is nearly USD 3 billion every year.³⁰

Next presidential elections will be held in Afghanistan on 5 April 2014. According to the Afghan Constitution, the current president Hamid

Karzai will not be allowed to run for a third presidential term. One of the new president's first goals should be to address corruption, which has been the international community's main criticism of the Karzai administration. Also the elections will cost an estimated USD 350 million, which the Afghan government cannot afford alone, so the international community and other donor institutions ought to sustain their aid pledges to ensure a free and fair election in Afghanistan.

The aim of the international development assistance should be to support success, security and stability in the country. Long-standing security and stability is essential for the country to invest, produce, build, and create a better future for its citizens. The level of international aid pledged for Afghanistan is critical, and its influence on the quality of an ordinary Afghan's daily life is a vital aspect of this.

Until now, most of the incoming international aid has been consumed by security-related expenditures. From now on, the budget reserved for social and economic development, education, health, agriculture, and urban and rural development must be increased. Each province and district should concentrate on delivering basic services to its people, and the population has to be persuaded that the Afghan government and local authorities are investing all their efforts

²⁷ For more information regarding the Transparency International (TI) see, at http://www.transparency.org/whoweare

²⁸ North Korea and Somalia ranked 174th with the same score "8" as well so Afghanistan was on the bottom of the list.

²⁹ Transparency International, "Corruption Perceptions Index 2012", http://cpi.transparency.org/cpi2012/results/#sthash.RW-ZNTGot.dpuf

³⁰ Azem Arash, "Afghan Govt Graft on the Rise, Corruption Monitor Says", Tolo News, 24 March 2013. (Accessed September 2013) http://www.tolonews.com/en/afghanistan/9884 For more information regarding MEC see, http://www.mec.af/en

and money into the future of the Afghan people.

If there are no improvements to the economic and social situation of Afghanistan, security and safety alone will not bring peace to the country and its people. Security is a fundamental condition for the Afghan government, local and foreign NGOs, and Afghan people to work to build a better Afghanistan for future generations. However, political, social and economic stability is needed to sustain security in Afghanistan. It is crucial to involve citizens in regenerating and revitalizing their own lives and finding new opportunities through 'economic, social and institutional reforms'.31

³¹ Joseph Ingram and Claire Lockhart, "Afghanistan: It's About Development, Stupid", The World Today, Chatham House, Vol. 66 No. 2, Feb. 2010, pp. 10-13.