Recommitting at Brussels to the Development of Afghanistan

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Next week, the European Union and the Afghan government will cohost the third in a series of conferences in Brussels that will convene Afghanistan’s partners to discuss foreign assistance commitments. At the 2012 conference in Tokyo, 70 international donors mobilized a commitment of $16 billion for Afghanistan in total foreign assistance over the subsequent four years. The United States was to be responsible for about half of it, and Secretary of State John Kerry said Washington would hold up its end of the commitment. In Brussels, Afghanistan is hoping for a recommitment to similar funding levels through 2020.

Taking a long view, there has been considerable economic and social progress that gets little attention. The 70 pledged donor countries and Afghan policymakers will gather at a time when the security situation has deteriorated in the wake of the reduction of Western military forces in Afghanistan. Security is vital for the success of Afghanistan’s government, but economic and social progress alongside good governance is also needed. Afghanistan’s partners seek determined leadership in Kabul and a consensus based on a process for achieving measurable progress across a range of areas. Afghanistan’s government and its people in return need partners that understand that progress will require another decade of engagement.

A stable and sustainable Afghanistan is in the interest of the region and beyond. The costs of leaving Afghanistan and allowing a friendly government to collapse could be immense in a region that is volatile and susceptible to further inroads by the Taliban and other extremist groups. Afghanistan does not yet have the capacity to resist the Taliban without assistance from its international partners. The 2014 reduction in foreign military support allowed a resurgent Taliban to gain control of at least one-fifth of the country, and some say more. At the same time, Afghanistan made progress in many social development indicators during the years the International Security Assistance Force (ISAF) had provided stability and security. The Brussels conference is an opportunity to acknowledge the key role of development assistance, and it complements to July’s NATO Summit in Warsaw, which focused primarily on providing security assistance.

Security

Afghanistan has a democratically elected government and is no longer a safe haven for extremists with international reach as it was prior to 2001. Sadly, a sizable portion of the Afghan population
remains under the control of the Taliban today. The group has so far failed to capture and hold major urban areas, but it has launched a series of attacks across the country straining Afghan government military and security force capacities. It has become clear that safe havens for the insurgency continue to exist in Pakistan. As long as Pakistan does not act to eliminate these havens, combatting the insurgency will be very difficult. The Afghan National Defense and Security Forces (ANDSF) have developed into a functioning military institution over the last decade and have managed to hold their own, and even take back lost ground, against the Taliban. ANDSF have largely been on their own since the drawdown of foreign troops and have suffered extensive casualties, yet they are still a viable force. But they lack capacity in key areas such as logistics, air support, and intelligence. President Obama decided to freeze the withdrawal of U.S. forces and allow the forces remaining to provide more active support for Afghan military operations. This decision has likely been critical in preventing the Taliban from taking control of important population centers. Even if the security situation remains threatening, the country can progress, just as Colombia managed to make social and economic progress during an insurgency.

**Good Governance**

Corruption remains a major deterrent to achieving investment and economic growth, as well as for the effectiveness of the security forces. It is also a key constraint in establishing legitimacy of the state in the eyes of the Afghan people. Afghanistan was ranked an awful 166 out of 167 on Transparency International’s 2015 Corruption Perceptions Index. Funds allocated for development and reconstruction have too often taken a detour into the pockets of undeserving Afghans. In 2010, for example, some $1 billion disappeared in the nation’s first private bank due to fraudulent dealings by a small group of businessmen and politicians. Afghanistan’s government is working to address previous failures of anticorruption efforts through a new anticorruption strategy, which focuses on implementing reform policies in the various administrations and firing corrupt officials.

Afghanistan continues to be a major source of the world’s illicit opium and heroin. It remains the largest producer of opium, with poppy cultivation increasing to a record 211,000 hectares in 2014, coincident with the shrinking of territory under clear government control. The Taliban has long influenced the drug trade; trafficking is now the Taliban’s steadiest source of revenue. Land owners and farmers under the influence of the Taliban have little power to resist orders to cultivate crops on its behalf. There are credible reports of official Afghan collusion in the drug trade as well. The United States has funneled more than $7 billion over the last 14 years into reforming governance and corruption issues surrounding the opium trade. Official involvement in the drug trade, whether perceived or actual, creates a distrust of Afghan officials and is a serious hindrance to Afghanistan’s economic development.

**Socioeconomic Development**

Taking the long view, Afghanistan has made significant, although mixed, progress since 2001. Many of these gains do not receive the publicity they deserve, with news from Afghanistan dominated by security and corruption. Despite the ongoing insurgency, health indicators in the country have seen impressive gains. Life expectancy has increased from 46 years in 2001 to 50 years in 2015. Under the
World Bank’s Afghanistan Rural Access Project approved in 2012, more than 10,000 kilometers of rural roads and drainage systems will be repaired and upgraded by 2018. In 1999, Afghanistan produced 420 million kilowatt hours (kWh) of electricity, rising to 884.1 million kWh in 2012.

Afghanistan will remain dependent on receiving significant amounts of foreign assistance through 2020, but it is increasingly able to generate and collect revenue and is moving toward an investment- and trade-driven economy. According to a 2016 World Bank Afghanistan Update, growth is projected to increase gradually from 1.9 percent in 2016 to 3.6 percent in 2018, if proper reforms are implemented. Official Development Assistance dropped from around 50 percent of Afghanistan’s gross national income in 2002 to a little more than 20 percent in 2014. Afghanistan experienced an encouraging 22 percent increase in tax revenue in 2015; a 30 percent turnaround when accounting for the previous year’s decline. Tax revenue remains at an inadequate, but improving, 10.4 percent of gross domestic production. The Afghan National Peace and Development Framework sets out an ambitious goal of reaching 14 percent tax revenue by 2020.

Starting from a low level in 2001, the World Bank’s Ease of Doing Business in Afghanistan report has shown minor improvements, but the country is still ranked at 177 out of 189 economies in 2016. Since 2014, there have been new administrative laws designed to ease business and collect more taxes due. Da Afghanistan Breshna Sherkat or DABS, an independent organization that handles generation and distribution of electric power in Afghanistan, has successfully collected $230 million in bills in 2015—a 40 percent increase in the last three years. The number of mobile cell phones in the country has skyrocketed to 19.7 million in 2015, and with 2.7 million people with internet access in 2015, much of Afghanistan is now connected to the digital world.

While nearly 85 percent of Afghan women are illiterate and some lack access to formal education, a survey by the U.S. Agency for International Development found that 80 percent of Afghan women have access to mobile technology. This means women now have the freedom to communicate and access information that could potentially enhance their standard of living and quality of life. Education, health care, and career opportunities are just a few of the avenues toward development made available for women by digital technology. Having cohorts of girls in schools is going to be a major source of progress for Afghanistan. Under the Taliban, no girls were allowed to go to school, but in 2014, girls went to school for an average of eight years. Nearly 9 million students are enrolled in school today—40 percent of whom are girls. That’s 3.6 million girls in school. Connected and educated women contribute to a more productive workforce that is more resistant to extremist influence.

Afghanistan has great economic potential in mining, energy, and agriculture. President Ashraf Ghani recently announced plans to build 21 dams throughout the country to preserve water for enhanced irrigation and to generate needed electricity. Reaping the benefits from mining will take some time and need to be properly overseen. Mining and related infrastructure can create employment opportunities and, in the longer term, important revenue, but given the nature of larger projects, these should proceed a pace as part of investing in the long-term prosperity of the country. Afghanistan recently reopened a concrete plant that was shuttered by the Taliban in 1995, for example. The factory today employs 150 people, with a supply chain providing jobs for 1,500 more. More broadly, the government recognizes the vital importance of strengthening the Afghan private
sector and of increasing the return of Afghan private capital to Afghanistan. It has introduced new
laws and regulations aimed at encouraging Afghan businesspersons who prospered by supplying the
international troops and aid efforts in Afghanistan to now return capital to Afghanistan and invest in
new types of production and job creation.

The World Bank and others have also pointed out that in the near term Afghanistan needs social
programs to meet the needs of families and individuals at risk. Specialized training, as well as basic
education, are needed to provide skills that will qualify members of its sizable younger generation for
jobs. Investments in agriculture have the ability to produce near-term internal gains in job creation,
food security, and enhanced production. More than 75 percent of Afghanistan’s population, and 90
percent of its poorest citizens, live in rural parts of the country. Agriculture contributes to a quarter of
the national economy. Investment in this sector as a source of job creation should be revived. The
National Solidarity Program created in 2003 aimed to empower local communities with the tools and
resources needed to manage local development projects as a way to spur rural employment while
instituting good governance training at a micro level. More recently in 2015, the Afghan government
launched its “Jobs for Peace” program, spurring quick employment through maintenance labor on
already completed development programs.

What Do the Government and its International Partners Need to Do?

This is a daunting economic, social, and governance agenda. To be successful in sustaining progress
over the next decade, there needs to be a more effective and enduring set of partnerships between
the Afghan government and international donors, in which expectations and benchmarks are clearly
defined and agreed. These partnerships must rest on a notion of mutual accountability and realism for
meeting benchmarks. Demands should stretch the Afghan government to work hard toward progress,
but not be so unrealistic that they invite failure. Donor governments weighing the cost-benefit of
funneling money into Afghanistan are experiencing “war weariness” and fatigue, and they must be
able to justify continued assistance by pointing to clear signs of progress.

The Afghan government wants donors to put more funds through government channels and seeks
enhanced flexibility for the projects. They argue that these moves will help build Afghan capacity and
the government’s credibility with the Afghan people. Progress has been made to date on the flow of
donor funds through the government. But donors seek evidence that the government can effectively
use increased donor funds spent via government channels to produce good results, given past
practices where ministries could not disperse funds and lost significant resources to corruption and
inefficiencies.

Increasing donor money flows through the government will require a strengthening of Afghanistan’s
federal institutions. Many of Afghanistan’s institutions continue to lack the ability to carry out baseline
duties such as financial and human resource management. Best practices and service delivery must
be improved before these institutions will be seen as credible by Afghan citizens. Getting the right
institutional culture will be difficult, but it will be crucial to achieving the key goal of effective and
accountable institutions of government.
Enhanced and continued reform of rule of law and the Afghan justice system will also play a key role in establishing an environment in which corruption will be tackled and the private sector can grow and flourish. The government must continue to approve and implement legislation and regulations that encourage participation in the legitimate economy. Poor enforcement once legislation is passed has presented an enormous obstacle for the Afghan government. There must be a constant focus on improving governance practices across the board. A culture of performance reporting should be embedded as a way to improve the government’s accountability for achieving these goals.

Afghanistan’s government and its partners should also continue to work to develop regional trade and economic ties. After nearly a decade of negotiating terms, Afghanistan became the 164th member to join the World Trade Organization in July 2016. This is a major accomplishment. Now the task is to implement all of the commitments made and to take advantage of the new trade opportunities. Through the Border Management Northern Afghanistan project, the UN Development Program and the European Union helped finance the development of six bridges, connecting Afghanistan to its three northern neighbors, one example of steps that can support expanded regional trade. Similarly, Afghanistan is a part of the Central Asia Regional Economic Cooperation program supported by six multilateral organizations to spur development through regional cooperation. Afghanistan’s growth depends on its ties to the region. We should ensure its further involvement in projects encouraging regional economic cooperation.

Afghanistan’s neighbors will all play important parts. The role of Pakistan will remain critical in advancing security and economic interests going forward. It will contribute importantly to the nature of the Taliban’s future in Afghanistan. India will play an important role in developing Afghanistan, often through the private sector. Afghanistan and India recently inaugurated a major dam and irrigation project in the west of the country that will greatly expand irrigated land. Renamed the “Afghan-India Friendship Dam,” this is just one project included in the $2 billion development portfolio India has spent on Afghanistan over the past 15 years. India is recognized as having the world’s fastest growing economy, and it has expressed its interest in long-term investment in Afghanistan. Capitalizing on this partnership is in the best interest of both countries.

Conclusion

Maintaining funding around $3-4 billion per year through 2020 is not an overwhelming ask from Afghanistan’s international partners. The United States, the international community, and the region could pay very high costs for prematurely withdrawing support from Afghanistan. They would risk squandering the sacrifices—financial and human lives—Americans and many others have made in the work to help Afghanistan since 2002. Millions of women and children would be left at the mercy of the Taliban. We could be leaving a failed state in a rough neighborhood at a time when the struggle against violent extremism is threatening so many countries around the world.

Afghanistan’s international partners should be guarded but remain committed as long as we have credible Afghan partners willing and able to strengthen their capacities and produce solid results across the security, development, and governance agendas. In this connection, it is essential that the Afghan domestic political process also continues to produce credible outcomes, despite the divisions among the country’s elites and ethnic communities.
This will be a long-term slog, with setbacks and successes along the way. We should not expect rapid breakthroughs. With sustained and relatively modest international support, we can expect that Afghanistan will muddle through on an upward trajectory during the coming decade. We should be ready for a scenario where security remains tenuous, the national government maintains control of large swaths of the country, presses ahead with reform, and slowly builds economic growth and progress on social indicators, and all the while, the Taliban continues to exist and fight. There is no easy fix here.

Progress will require a residual U.S. and allied security presence committed to long-term involvement in support of hopefully more and more effective Afghan forces. The country is not ready to be cut off from U.S. and international support, but with a healthy partnership and continued determination by Afghan authorities, the balance of the burden for security and development can increasingly tip toward the Afghans.

There has been progress, but there is much more progress to be made in Afghanistan. The Brussels conference offers the Afghan government and Afghanistan’s partners a chance to recommit to progress, to a path of clear benchmarks, and to the country’s potential. Progress will demand at least another decade, but we have the elements available for long-term success. Safe and slow reduction of assistance in support of an increasingly self-reliant, legitimate, and effective government is the right way forward for international development and security policy.

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