The Imploding Afghan Peace Effort

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The current peace efforts in Afghanistan are uncertain at best. It is far from clear that the Afghan central government and the Taliban can ever reach a stable, workable peace agreement. The Afghan central government has critical military weaknesses and civil flaws, creating questions as to whether it can either lay the groundwork for some compromise with the Taliban or survive on its own. Moreover, it is unclear that the United States will continue to support the Afghan government if a peace settlement fails.

Afghanistan is sometimes referred to as the “graveyard of empires.” In practice, it has been the “graveyard of Afghans” – a nation where one outside power after another outside power has found it more costly to remain in Afghanistan than its presence is worth. The end result has sometimes been long periods of peace – and even the Afghan conquest of other states – but time after time the nation has divided, become a regional backwater, or succumbed to civil war.

In the modern era, Afghanistan has steadily fallen behind the rest of even other poor regional states – like Bangladesh – since its monarchy collapsed in a mix of internal power struggles in 1973. It has done so in spite of a massive Soviet effort during 1972 to 1989, and an even more massive U.S. effort since 2001. Russia – like so many of Afghanistan’s past conquerors – survived and has prospered from leaving. So can the United States share the same fate – regardless of the success or failure of its current efforts to leave as part of a negotiated peace deal?

This analysis draws on a wide range of reporting, including U.S. government, NATO, World Bank, CIA, and IMF, to address the data now available and to show the probability that the current peace agreement can bring a real peace, lasting security, and enduring stability. It presents a wide range of analysis, data, and graphics to address the key problems in creating a lasting peace and the many factors that can “implode” the current peace process.

It addresses the challenges the United States faces in reducing the cost of war and the new pressures the Coronavirus has put on U.S. spending that could affect both the peace process and U.S. willingness to remain in Afghanistan if the peace process falters or fails. It describes both the cuts the United States is already making in Afghan forces and the impact of phasing out all U.S. forces in time to meet the 14-month deadline set in the peace agreements.

The analysis then addresses the risk that the current peace effort might devolve and become an extension of war by other means. Here, both the Afghan central government and the Taliban pose serious problems. This is clear from the next three sections of the analysis, which address the critical problems in Afghan governance, in the development of Afghan national security forces, and in the Afghan economy – summarizing the key quantitative data in each area.

The assessment concludes with a brief analysis of whether the United States should withdraw from Afghanistan if the Afghan central government continues to be a failed state, and if the current peace agreement will break down because of its failures.

The pace of change in all of these areas is so rapid that this is a working document that will be steadily updated over time. Outside comments and suggestions are welcome and should be sent to Anthony H. Cordesman at acordesman@gmail.com.
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The United States signed a broad peace agreement with the Taliban in Doha on February 29, 2020, and another with the Afghan central government that same day. These two agreements indicate that the U.S. is seeking to end its military role in Afghanistan within the following 14 months – or by no later than the end of May 2021. They also show that the United States is doing so by attempting to negotiate a peace, although it is clear from the statements of senior U.S. officials and officers that it is also planning to slash its funding to Afghanistan.

However, it is far from clear what kind of peace the United States is seeking, or that the ongoing U.S. withdrawal of U.S. forces will be tied to a successful or enduring peace that will keep the present Afghan central government in place. There evidently are two classified annexes to U.S. peace plans, but so far, no details have leaked as to what kind of enduring commitments – if any – the United States will make in terms of aid or commitments to reintroduce the use of U.S. forces in an emergency.

The public details of the peace agreements the United States reached with the Taliban and with the Afghan central government on February 29, 2020, have not received the attention they deserve. However, they set a firm 14-month deadline for U.S. and allied withdrawals while only making general statements about the nature of a peace that really do not firmly commit the United States to any given level of effort to enforce a peace or provide the aid necessary to make it workable:

To address this continuing terrorist threat, the Islamic Republic of Afghanistan and the United States will continue to take the following steps to defeat al-Qa’ida, its affiliates, and other international terrorist groups or individuals:

1. The Islamic Republic of Afghanistan reaffirms its continued commitment not to cooperate with or permit international terrorist groups or individuals to recruit, train, raise funds (including through the production or distribution of narcotics), transit Afghanistan or misuse its internationally-recognized travel documents, or conduct other support activities in Afghanistan, and will not host them.

2. The United States re-affirms its commitments regarding support for the Afghan security forces and other government institutions, including through ongoing efforts to enhance the ability of Afghan security forces to deter and respond to internal and external threats, consistent with its commitments under existing security agreements between the two governments. This commitment includes support to Afghan security forces to prevent al-Qa’ida, ISIS-K, and other international terrorist groups or individuals from using Afghan soil to threaten the United States and its allies.

3. The United States re-affirms its readiness to continue to conduct military operations in Afghanistan with the consent of the Islamic Republic of Afghanistan in order to disrupt and degrade efforts by al-Qa’ida, ISIS-K, and other international terrorist groups or individuals to carry out attacks against the United States or its allies, consistent with its commitments under existing security agreements between the two governments and with the existing understanding that U.S. counterterrorism operations are intended to complement and support Afghan security forces’ counterterrorism operations, with full respect for Afghan sovereignty and full regard for the safety and security of the Afghan people and the protection of civilians.

4. The United States commits to facilitate discussions between Afghanistan and Pakistan to work out arrangements to ensure neither country’s security is threatened by actions from the territory of the other side.

…Subject to the Taliban’s fulfillment of its commitments under the U.S.-Taliban agreement, the Islamic Republic of Afghanistan, the United States, and the Coalition jointly assess that the current levels of military forces are no longer necessary to achieve security objectives; since 2014, Afghan security forces have been in the lead for providing security and have increased their effectiveness. As such, the parties commit to take the following measures:

1. The United States will reduce the number of U.S. military forces in Afghanistan to 8,600 and implement other commitments in the U.S.-Taliban agreement within 135 days of the announcement of this joint
declaration and the U.S.-Taliban agreement, and will work with its allies and the Coalition to reduce proportionally the number of Coalition forces in Afghanistan over an equivalent period, subject to the Taliban’s fulfillment of its commitments under the U.S.-Taliban agreement.

2. Consistent with the joint assessment and determination between the United States and the Islamic Republic of Afghanistan, the United States, its allies, and the Coalition will complete the withdrawal of their remaining forces from Afghanistan within 14 months following the announcement of this joint declaration and the U.S.-Taliban agreement, and will withdraw all their forces from remaining bases, subject to the Taliban’s fulfillment of its commitments under the U.S.-Taliban agreement.

3. The United States reaffirms its commitment to seek funds on a yearly basis that support the training, equipping, advising and sustaining of Afghan security forces, so that Afghanistan can independently secure and defend itself against internal and external threats.

4. To create the conditions for reaching a political settlement and achieving a permanent, sustainable ceasefire, the Islamic Republic of Afghanistan will participate in a U.S.-facilitated discussion with Taliban representatives on confidence building measures, to include determining the feasibility of releasing significant numbers of prisoners on both sides. The United States and Islamic Republic of Afghanistan will seek the assistance of the ICRC to support this discussion.

5. With the start of intra-Afghan negotiations, the Islamic Republic of Afghanistan commits to start diplomatic engagement with members of the UN Security Council to remove members of the Taliban from the sanctions list with the aim of achieving this objective by May 29, 2020, and in any case no later than 30 days after finalizing a framework agreement and a permanent and comprehensive ceasefire.

As a SIGAR analysis shows, the key aspects that directly affect the U.S. posture in Afghanistan and U.S. security are that,4

… the agreement provides for the withdrawal of all U.S. troops and associated nondiplomatic personnel from Afghanistan within 14 months, provided that the Taliban meets a number of conditions. The agreement commits the Taliban to prevent its members and other individuals or groups from using Afghan soil “to threaten the security of the United States or its allies,” and to enter into negotiations with the Afghan government to determine “the date and modalities of a permanent and comprehensive ceasefire” and to reach “agreement over the future political roadmap of Afghanistan.” The joint declaration of the United States and the Afghan government reaffirms U.S. support for the Afghan National Defense and Security Forces (ANDSF) and for continued military cooperation against international terrorist groups.

Critical Threats that Can Implode the Peace Process

Time is already a critical factor. At the end of April 2020, there is little more than a year to go before the 14-month deadline is passed. So far, however, these agreements have not led to a real ceasefire – only a “reduction in violence” agreement that is limited by ongoing acts of violence and by military clashes conducted with more restraint.

As the April 2020 report by the Special Inspector General for Afghan Reconstruction also notes, the peace process must now take place in spite of the Coronavirus crisis, which has then already been identified in at least 29 of Afghanistan’s 34 provinces, the major areas controlled by the central government – that are currently under lockdown as of March 14, 2020 – and a flood of some 226,000 Afghans that had already come back from Iran.5

Moreover, the present goals in the peace process are not to implement a full ceasefire or real peace, but rather to find ways for the Afghan central government and the Taliban to negotiate directly, to fully conduct a promised prisoner exchange that was part of the initial ceasefire agreement, and to negotiate a clearer Taliban agreement to prevent future acts of terrorism outside Afghanistan. So far, there is no public indication of any real progress in negotiating ways to create a meaningful central government that includes both the present government and the Taliban.
Some reports do indicate that the United States may have more detailed peace plans in the form of two classified annexes to these agreements, but the U.S. government has done little to date to indicate that it will stay in Afghanistan unless the Taliban becomes so aggressive that even the image of a peace process collapses.6

The United States has failed to publicly define the peace it wants beyond the broad terms of the February 2020 agreements, to advance any detailed plans to define and secure a peace, and to make it clear that it will actually provide the aid and military contingency plans to secure a peace.

The United States also negotiated the February 2020 agreements with Taliban leaders while informing – rather than fully consulting – the acting Afghan government. This has led to significant tensions between the U.S. and senior Afghan officials like “President” Ghani, particularly over near-term efforts to reduce violence and the exchange of some 5,000 prisoners – measures unilaterally advanced by the United States.

It is clear from the broad nature of these agreements that there are many areas they fail to address. It is also clear – especially from the lack of Afghan government participation in many aspects of the negotiations leading up to the agreement – that these negotiations do not reflect any clear decisions on the nature of the peace – as distinguished from the timing of U.S. force withdrawals. A real peace cannot really be defined until the Afghan central government and the Taliban have negotiated an actual agreement, and then actually implementing any such agreement will have to confront a long series of challenges.

This makes it all too possible that such peace efforts will fail, or that any peace agreement will implode. It is also clear from both the deadlines in the agreements and from ongoing U.S. actions that the United States will withdraw without leaving a stable Afghanistan behind. Moreover, several key sets of issues pose critical threats to the ability of creating a real peace that will produce a stable and secure Afghanistan – and/or may lead to a full or major U.S. withdrawal with or without a real peace settlement:

- **The first is that the United States seems to be increasingly committed to making major cuts in its support of the Afghan government and forces regardless of the outcome of any peace negotiations.** The United States will not make a firm commitment to come to the military assistance of the Afghan central government if the Taliban fails to support a real peace and will not provide the aid necessary to make even a successful peace agreement function.

- **The second is that any ceasefire or peace can easily become a power struggle or further outbreak of war between the Afghan Central Government,** and that the end result of such a struggle is far more likely to produce a divided country in a state of civil war or some form of limited Taliban victory, rather than a victory by the central government.

- **The third is that the Afghan central government is already too deeply divided to function properly,** and it may not be able to compete with the Taliban in implementing a peace or even to achieve the level of political unity necessary to operate effectively as a government.

- **The fourth is that the Afghan security forces are too weak to survive any unified attack by Taliban forces once U.S. forces and advisors leave,** or when U.S. combat air support is no longer available – giving the Taliban added leverage with each cut in U.S. support.

- **Finally, even the best peace agreement would be threatened by the weaknesses, incompetence, and corruption in the Afghan economy,** and economic challenges that go far beyond its current power struggles between the Ghani and the Abdullah Abdullah factions.
Cutting the Cost to the U.S. – With or Without a Real Peace

As was the case in Vietnam, the United States increasingly seems ready to leave Afghanistan even if peace negotiations fail or do not bind both sides to a real peace. As this analysis shows, the Afghan central government has given the U.S. good reasons to do so. One such reason is the cost of continuing to support an Afghan government that has failed in so many ways.

The Total Cost of the Afghan War

While estimates of the total cost of the Afghan war to the United States differ sharply, the official U.S. Cost of War Report puts the total war-related obligations between September 11, 2001 and September 30, 2019 at $780 billion – with the Department of Defense (DoD) obligations at $776 billion.7 The same Cost of War Report indicated, however, that the annual cost of the Afghan War has dropped massively since a peak of $115 billion a year – of which $97 billion was appropriations for the DoD in FY2011 – to $40 billion in FY2019, with $38 billion going to defense.8

The Special Inspector General for Afghan Reconstruction (SIGAR) reported in April 2020 that the United States had appropriated $137.05 billion for civil and military aid since FY2002, of which 118.54 billion was in the largest account and $90.75 billion of which had gone to Afghan forces. Out of this total, $107.3 billion had been obligated, $103.5 billion had been disbursed, and $9.24 billion was remaining.9

The DoD reports that the human cost to the U.S. military between October 7, 2001 and April 20, 2020 reached 2,445 dead; 1,913 killed in action; and 20,719 wounded in action.10 Casualty levels have been minimal since 2015. This is partly because the U.S. land combat role has been sharply limited and focused on the train and assist missions, and it is also partly because the U.S. combat role has shifted to an emphasis on manned and unmanned air strikes and intelligence.

Aid and the Impact of the FY2021 Presidential Budget Request

The President’s FY2021 budget request was formulated before the peace agreements and only provides the equivalent of place holder numbers for FY2020 and future years spending. However, the figures in the DoD’s FY2021 Budget Summary called for cuts in the total Overseas Contingency Costs of the Afghan war from a peak of $114 billion in FY2011, to $45 billion in FY2019, to only $17 billion in FY2020, and to $14 billion in FY2021. A total of $4.2 billion of these funds was requested to aid Afghan security forces in FY2020, and $4.0 billion in FY2021.11

SIGAR graphs of annual aid efforts by each program show astounding sudden rises and cuts in aid efforts that made effective management, fiscal control, and implementation nearly impossible in many cases. They also, however, represent a consistent pattern of major cuts before the peace agreements were signed.

FY2020 and FY2021 data are missing for many major categories of aid. The April 2020 SIGAR report shows that the appropriations for the Afghan Security Forces Fund (ASFF) had been cut from a peak of close to $11 billion FY2011 to $4.92 billion by FY2020. This does not count funds for the NATO Afghan National Army (ANA) Trust Fund. The Commander’s Emergency Response Program (CERP) had been cut from a peak of $1.0 billion to nearly zero in FY2016. Drug Interdiction and Counter-Drug Activities (DICDA) had been cut from a peak of over $480 million in FY2012 to nearly zero in FY2019.12
The appropriations for the Economic Support Fund (ESF) had been cut from a peak of some $3.4 billion in FY2012 to $350 million in FY2019. Title II appropriations had been cut from a peak of $160 million in FY2002 to nearly zero in FY2019. Foreign Disaster Assistance (FDA) had been cut from a peak of $200 million in FY2002 to nearly zero in FY2006, only to rise back to around $150 million in FY2019. International Narcotics Control and Law Enforcement (INCLE) had been cut from a peak of $700 million in FY2005 to $87.8 million in FY2019—roughly half of its FY2018 total. Migration and Refugee Assistance (MRA) was cut from a peak of over $130 million in FY2005 to under $90 million in FY2019.

Appropriations for the Nonproliferation, Anti-Terrorism Demining and other related programs swing widely from year-to-year, but they ended at $38.8 million in FY2019.13

There is no way to know how much U.S. aid will go to any new form of the Afghan government, what combined elements the Afghan central government and the Taliban will receive of that aid, what the budget costs of that aid will be, or how much aid the new government will need. As is discussed in more detail later, however, the present central government’s current needs for aid are already high. Furthermore, the IMF estimates that any real progress in development would raise these costs significantly. While expert estimates differ, the total near-term annual cost of aid necessary to sustain even the existing form of the Afghan government would probably be at least some $6 billion to $8 billion a year in constant U.S. dollars through FY2025.

The same uncertainties apply to international reconstruction funding as well. SIGAR reports that the cumulative totals for the four major programs totaled $30.92 billion between FY2002 and December 2019. The end of 2019 to April 2020 totals for the four main multilateral trust funds are $12.16 billion for the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF), $5.98 billion for the United Nations Development Program (UNDP)-managed Law and Order Trust Fund for Afghanistan (LOTFA), $3.12 billion for the NATO-managed Afghan National Army (ANA) Trust Fund (NATO ANA Trust Fund or NATF), and $12.16 billion for the Asian Development Bankadministered Afghanistan Infrastructure Trust Fund (AITF).14

**The Fiscal Impact of the Coronavirus on U.S. Funding**

These Afghan needs will emerge in a very difficult and different world from the one that existed in formulating the President’s FY2021 budget request. So far, it is not possible to estimate even the pressure to date on most states. Some preliminary estimates are possible for the United States. As of late April 2020, the United States had added some $3 trillion to the Federal budget to deal with impact of the Coronavirus. Preliminary Congressional Budget Office (CBO) and other budget projections indicate a major drop in the projected size of the U.S. gross national product (GNP) and federal revenues in future years because of the Coronavirus crisis, and it is all too likely that these projections will prove to be far more favorable than the reality: 15

- For second quarter of FY2020
  - Inflation-adjusted gross domestic product (real GDP) is expected to decline by about 12 percent during the second quarter, equivalent to a decline at an annual rate of 40 percent for that quarter. The total drop in GDP for the calendar year will be -5.6% and
  - The unemployment rate is expected to average close to 14 percent during the second quarter, and 11.4% for the calendar year.
  - Interest rates on 3-month Treasury bills and 10-year Treasury notes are expected to average 0.1 percent and 0.6 percent, respectively, during that quarter.

- For entire year of FY 2020, CBO’s early look at the fiscal outlook shows the following:
The federal budget deficit is projected to be $3.7 trillion.

Federal debt held by the public is projected to be 101 percent of GDP by the end of the fiscal year vs. 79% in 2019.

While the U.S. has not made any official announcements, it is clear that the United States has been planning major further cuts in U.S. spending and aid since at least the start of 2020, when the size of the U.S. defense budget was a relatively minor issue. The United States and its key security partners now face critical financial challenges because of the Coronavirus. NBC also reported in late April 2020 that President Trump was seeking to remove U.S. troops as quickly as possible to minimize their exposure to the Coronavirus.

Making Aid Conditional and Pushing the Implementation of the Peace Plan

This may well mean much sharper cuts in U.S. funds for Afghanistan than were planned in formulating the FY2021 budget request, and even the February peace agreements. Moreover, the increasing willingness of the United States to put financial pressure on the Afghan central government is already clear from recent trends in aid to Afghanistan.

Current U.S. aid has been reduced to $4.2 billion for direct support of the ANSF, and economic aid has been reduced to $532.8 million. In September 2019, the United States also finally made good on its last threat to make U.S. aid “conditional” and to cut U.S. aid in cases involving major Afghan corruption. It cut aid by $100 million in reaction to the Afghan central government’s failures in carrying out a hydroelectric power project for Kandahar and Ghazni.

Aid is also now tied tightly to Afghan central government support of the peace process. Secretary of State Pompeo announced on March 23, 2020 that the United States would cut U.S. military aid to Afghanistan by $1 billion in 2020. The United States also threatened to cut such aid by another $1 billion in FY2021, if the Afghan government did not reach a political consensus over its national leadership. While the direct cause of the cut was the feuding over the presidency between Ghani and Abdullah Abdullah, it was also driven by the lack of government support for the peace agreements.

The SIGAR report for April 30, 2020 provides a grim summary of these events as well as warnings about the problems in Afghan governance described later in this report.

Despite U.S. efforts to negotiate a last-minute deal, Kabul hosted the spectacle of two presidential inaugurations on March 9. The New York Times observed that senior U.S. officials, including Ambassador Khalilzad and U.S. Forces-Afghanistan (USFOR-A) Commander General Austin Scott Miller, attended Ghani’s inauguration, and snubbed Abdullah’s ceremony…Ghani and Abdullah continued their row, to the increased dismay of senior U.S. officials.

On March 11, President Ghani’s spokesperson announced that Ghani had dissolved the office of chief executive, eliminating Abdullah’s government position and nullifying the power-sharing arrangement that had ended the 2014 presidential election dispute between Ghani and Abdullah… On March 18, 11 days after the dueling inaugurations, State’s Senior Bureau Official for South and Central Asian Affairs, Alice G. Wells, called on Afghan leaders to “prioritize and protect unity of the nation” and to end the governance impasse brought on by parallel governments.

… Following Secretary of State Pompeo’s visit to Kabul on March 23, State issued a statement that President Ghani and former Chief Executive Abdullah were unable to agree on an inclusive government despite Secretary Pompeo’s direct plea for compromise. This failure to compromise, disappointed in the two Afghan leaders. Describing this as “a direct threat to U.S. national interests,” Pompeo announced that the United States would immediately reduce U.S. assistance to Afghanistan by $1 billion in 2020 (with further cuts of $1 billion possible in 2021).
Secretary Pompeo initially declined to specify which funds would be affected, suggesting, at least initially, that the U.S. would continue to provide support to the Afghan security forces. On March 25, however, Secretary Pompeo told reporters that the United States “is prepared to reduce security assistance” to Afghanistan. (In a January 2018 interview, President Ghani said that Afghanistan could not support its army for more than six months without U.S. funding support and assistance.)

In addition to funding cuts, State said it would:

- initiate a review of all programs and projects to identify additional reductions;
- reconsider pledges to future donor conferences for Afghanistan; and
- not back security operations that are politically motivated, nor support political leaders who order such operations or those who advocate for or support parallel government.

Despite these dramatic threats, State offered to revisit its measures should Afghan leaders form an inclusive government that would participate in the peace process.

Soon after, President Ghani announced in a televised speech that a reduction in U.S. assistance “would not have a direct impact on our key sectors.” The World Bank estimates that international grants finance 75% of Afghanistan’s public expenditures. The United States is the largest source of those grants. State continued to call for an inclusive government and governing arrangement, with Senior Bureau Official for South and Central Asian Affairs, Alice Wells, saying on April 6, “donors are frustrated and fed up by [Afghan political leaders’] personal agendas being advanced ahead of the welfare of the Afghan people.”

Moving U.S. and Allied Forces Towards the Exits

The savings the United States is seeking go far beyond money and focus heavily on reallocating military manpower and forces – reallocations that are driven in part by the impact of the Coronavirus. There may not be a real peace plan, but the U.S. is already making real force reductions to meet the 14-month deadline, and it is doing so before there is a real peace agreement and plan to implement it.

**Cutting U.S. Military Manpower**

The United States has previously cut its officially reported military and defense civilian manning from 102,077 in September 2011; to 43,082 in June 2014; and to 13,333 in June 2017. The United States has increasingly classified its manning levels since 2017 but has made it clear that it is seeking to cut its publicly-stated troop levels from some 12,000 at the start of 2020 to 8,600 as soon as possible. This will evidently include a large number of forward-deployed train and assist personnel.

These cuts will have a critical impact on Afghan force development because it is U.S. “train and assist” units that are deployed in the forward support with Afghan land combat units that have been critical in enabling Afghan forces to defend or successfully counterattack Taliban units. Moreover, additional forward deployed Special Forces, other elite forces, and CIA elements have played a key role in supporting Afghan counterterrorism forces.

**Cutting Allied Military Manpower**

It is not clear how quickly these cuts will affect the size of the U.S. commitment to NATO or the projected future size of allied force commitments. U.S. officials have not taken a public position on these issues, but NATO reported in February 2020 that it had 16,551 military personnel from 38 countries in Afghanistan.

The United States was reported to have 8,000 or 48% of the NATO total – although this was only part of the U.S. total in the country and did not include contractors and civilian intelligence
personnel – this total also did not include air warfare and support personnel outside Afghanistan. Other major contributors included Australia (200), the Czech Republic (309), Georgia (871), Germany (1,300), Italy (895), Mongolia (233), Poland (350), Romania (797), Turkey (60), and the United Kingdom (1,100). The peace agreements call for all of these forces, and those of other allies, to be gone by May 2021.

The SIGAR Quarterly Report for April 30, 2020 provides the following additional information:

The United States committed to a conditional withdrawal of “all military forces of the United States, its allies, and Coalition partners, including all non-diplomatic civilian personnel, private security contractors, trainers, advisors, and supporting services personnel” from Afghanistan within 14 months (ending April 29/30, 2021).

…As the first step, the United States pledged without any stated conditions to reduce its forces to 8,600 personnel (with proportional reductions from other Coalition forces) and completely withdraw from five military bases within the first 135 days (ending July 13–14, 2020). Contingent upon the Taliban fulfilling their counterterrorism commitments, the United States, its allies, and other Coalition forces would complete the withdrawal of the remaining forces and depart from all remaining bases within the remaining nine and a half months.

According to State, the agreement expressly commits the Taliban to enter intra-Afghan negotiations to determine the date and modalities of a permanent and comprehensive ceasefire and reach an agreement over the future political roadmap of Afghanistan. Senior U.S. administration officials clarified that the timeline in the U.S.-Taliban agreement for the withdrawal of international military forces is not conditioned on the Taliban’s achievement of any particular political outcomes associated with Afghanistan’s negotiated future (such as status of women’s rights), as ultimately it is up to the Afghan parties to determine in intra-Afghan negotiations what the political roadmap should look like. Rather, the withdrawal timeline depends on whether the Taliban fulfill their counterterrorism commitments under the agreement to prevent any group or individual, including al-Qaeda, from using Afghan soil to attack or threaten the security of the United States and its allies, and their good-faith participation in intra-Afghan negotiations commitments…These officials further clarified that the timeline for the withdrawal of international forces is “aspirational,” dryly observing that “nothing [in Afghanistan] happens on schedule.”

**Cutting U.S. Defense Contractors**

The United States is also now cutting 1,000 defense contractors with U.S. citizenship out of a total of more than 26,000 defense contractors in Afghanistan. These defense contractors have long outnumbered the uniformed U.S. military, and they have included more than 10,500 U.S. citizens at the start of 2020.

SIGAR reports that:

…DOD contractors…provide essential in-country support to U.S. forces and the ANDSF. As of April 2020, 27,641 contractors were serving in Afghanistan, about 40% (11,077) of whom were third-country nationals, 39% (10,711) were U.S. citizens, and 21% (5,853) were local nationals, or more than twice the number of U.S. troops currently in country. These contractors fulfill an array of important responsibilities, with most providing logistics and maintenance support (34%), security (19%), and support for U.S. military bases (14%), and the rest providing construction, translation and interpretation, transportation, training, and other services.

The United States has now set the goal of totally eliminating all such defense contractors in the 14 months it will take to remove U.S. military personnel. While no clear numbers have been announced, it is also making major cuts in its diplomatic and civilian staffs and also evidently in CIA personnel.
Cutting U.S. Combat Air Support

What the United States has not publicly addressed are its plans to cut air support of Afghan forces from bases inside and outside of Afghanistan. While most commentary focuses on the number of U.S. military personnel in Afghanistan, it is the use of manned and unmanned U.S. combat airpower to support Afghan forces that has been the most critical element of direct U.S. combat action since 2015.

The number of U.S. strike sorties that actually released a weapon climbed from 411 in 2015; to 1,248 in 2017; and to 2,434 in 2019. Open source data only cover the first two months of 2020, but the sortie numbers were just as high as the correlating months in 2019. The United States has also continued to fly high numbers of intelligence, surveillance, and reconnaissance (IS&R) sorties as well. It has flown some 13,000 to 21,000 such sorties a year since 2015, and it flew nearly 2,600 in the first two months of 2020.26

As is the case with land forces, the United States would have to close all of its air bases by some point in May 2021 to meet the 14-month deadline if the peace agreements are actually implemented. The United States could potentially still fly strike sorties and use cruise missiles from carriers or from bases like Al Udeid in Qatar, but any such actions would place major operational limits on U.S. capabilities and imply the collapse of key elements of the peace process. Like land forces, projecting U.S. airpower back into Afghanistan once U.S. bases, support capabilities, contract support, and logistic supply routes are closed would be a major and time-consuming effort.
Peace as an Extension of War by Other Means

Peace efforts, like all forms of politics, can easily become a new form of struggle between warring parties. Many peace negotiations fail even under the best of conditions – even when the sides negotiating actually want a peace supported by terms that the other sides can accept. As cases as diverse as Cambodia and Nepal show, however, even an apparently successful peace negotiation can end in a “peace” that becomes a new form of war – ranging from efforts that exploit an actual peace agreement in order to achieve the goals a given side set during the war to efforts that exploit the negotiation process to undermine or defeat the other side.

As the collapse of South Vietnam showed, a weak and divided government can lose a peace even when it has apparently won a military victory. In the case of the Afghan central government, there are all too many reasons to doubt its ability to achieve enough unity and leadership to actually negotiate successfully. The Afghan central government is now too divided to actually govern, and it is brutally clear that there is no current leader that can quickly unify it.

An Afghan Central Government that Would Rather Hang Separately than Hang Together

The United States is also dealing with a partner in the Afghan central government that is so weak, divided, corrupt, and incompetent. It is dealing with an Afghan government with a long history of such divisions. Afghanistan’s first post-Taliban President, Hamid Karzai, served from December 22, 2001 to September 29, 2014. He succeeded in staying in power largely because of his constant effort to juggle one set of power brokers against another in a country where multiple factions were divided by tribe, sect, ethnicity, family, region, city, and even valley.

Since 2014, the situation has been far worse. As a result of the rapid withdrawal of most U.S. forces in 2014, the central government has steadily lost the ability to govern outside of Afghanistan’s major population centers, provide even limited steps to control the growth of a narcoeconomy, control power brokers and warlords, administrate programs in the field, and provide key services like policing, education, medical care, and ensuring the rights of women.27

Karzai’s departure in 2014 led to an election where two figures – Ghani and Abdullah Abdullah – both claimed to have been elected President in a dubious and partly rigged election. They only agreed to cooperate after a U.S. negotiated settlement between the two leaders determined that Ghani would be made president and Abdullah Abdullah would be the equivalent of a CEO.

This system came close to a collapse in the years that followed. Loyalties within the separate Ghani and Abdullah Abdullah factions proved uncertain, and compromises – over the control of territory, government funds, or major political appointments that did not have the support of outside power brokers – failed or were fragile at best. The Afghan legislature had little meaningful control over state funds, and it had little real effectiveness.

A new presidential crisis then occurred in the second-round contest between Ghani and Abdullah Abdullah over an election held on September 28, 2019. This time, the United States could not persuade the two rivals to reach a compromise – this led to both a lack of any consensus over the central government’s leadership and the crisis that led Secretary Pompeo to make the aid cuts referred to earlier that have still not been resolved at even a cosmetic level at the moment of this writing.
If elections are the benchmark of legitimacy, the Afghan central government has not met that test for more than half a decade, and post-Taliban Afghanistan has never really been a truly functioning democracy. Worse, post-Taliban Afghanistan has never had a truly functional government. While it does have honest and capable officials, it also has had all too many that are not. It has been led by a government divided into factions at every level – from capital, to province, to district, and even at the level of town or city – each with its own mix of power brokers and warlords.

The end result is that there are all too many reasons to doubt the Afghan central government’s ability to achieve enough unity and leadership to actually negotiate successfully. It is brutally clear that there is no current leader that can quickly unify even the support of the central government. Loyalties even within the present Ghani and Abdullah Abdullah factions are uncertain. Any compromise – over territory, government funds, or major political appointments that brought the Taliban to power or that did not have the support of such power brokers – could break down or trigger new power struggles within the new form of government. Such disputes are more the rule in divided developing states than the exception.

A Divided Taliban that Will Create Problems of Its Own

The Afghan central government is only half of the political problem. A peace requires politics that include the Taliban in both the political process and the government. So far, there has been no indication of how this would occur, what changes would result, and how the resulting new structure of politics and government would operate – although there now is roughly a year left of the 14 month deadline, and some form of structure is supposed to be operational by May 2021.

As cases like South Sudan show, creating such a government is difficult even if the only issue concerns divisions over power and wealth. A joint Afghan central-Taliban government would have to combine two elements with different values on issue after issue. The past election problems would be minor if elections were held. Any major territorial divisions or forms of “federalism” would be an invitation to dividing the country and resuming the war. Combining a relatively modern structure of central government values focused on secular governance with a neo-Salafi set of religious and ideological values would have to take place in a nation dependent on outside aid, income from narcotics exports, and its own regional, tribal, ethnic, sectarian, and power broker divisions.

In the case of the Taliban, there is no longer a single charismatic leader. The Taliban is now a divided and scattered movement where it is unclear how many Taliban fighters (and fighters of other factions) support a leadership with divisions of its own. As is noted later, it is also a movement that has continued to attack Afghan central government forces, and whose public statements raise serious question about any real commitment to joining in a fight against terrorist movements.

The peace process might involve a Taliban that is so divided against itself that it could actually weaken itself more compared to the already divided and weak central government – a number of rebel movements have done so even at moments of success in the post war era. However, it is not clear how a strong enough Afghan central government coalition can emerge that could then define and negotiate an even more effective peace agreement, much less implement one.

It also is all too likely that it will be far easier for the Taliban to play a spoiler role, to weaken and divide the Afghan government effort, and/or to exploit the implementation of a peace agreement
than it will be for the central government to agree on a peace and then cooperate to make it work. Nothing about Afghan leadership from the mid-1970s to the present is particularly reassuring.
Failed Governance as well as Failed Politics

Politics are only part of the problem. A successful peace requires a successful government that can somehow find and *actually implement* working compromises between the existing central government and the Taliban – and a government that can win the loyalty and support of the Afghan people.

**A Warning from SIGAR**

Unfortunately, Afghanistan begins this aspect of its peace efforts with one of the worst levels of governance in the world. Few Americans have as much experience in dealing with the Afghan government as John Sopko, the Special Inspector General for Afghan Reconstruction (SIGAR), and he has raised these issues numerous times in his testimony to Congress. In March 2020, he summed up the problems in Afghan governance in a lecture at the Maxwell School of Citizenship and Public Affairs.28

Sopko noted that, “the 600-pound gorilla in the room is of course, the peace agreement that was signed during my latest trip to Kabul on February 29th and the potential withdrawal of U.S. forces from Afghanistan within the next 14 months.” He warned that, 29

… Afghanistan is one of the most corrupt and insecure countries in the world. Afghan security force and civilian casualties are at or near all-time highs, and to date, over 2,300 service members have lost their lives.

In addition to the Taliban threat, there may be as many as 20 terrorist groups operating in the Afghanistan/Pakistan region, the most notable of which is the so-called Islamic State.

Because of the widespread security threats, for the past several years all U.S. civilian personnel arriving in Afghanistan have been required to fly via government helicopter between the international airport and the U.S. Embassy – a distance of just three kilometers, because that stretch of road has been deemed too dangerous for routine vehicle travel.

And as if the daily threat of violent attack isn’t enough to deal with, SIGAR and other agencies also face the challenge of working in one of the most corrupt countries on the planet. Afghanistan ranks 173rd out of 180 countries on Transparency International’s most recent Corruption Perception Index, and 91 percent of Afghans surveyed state that corruption is a problem in their daily lives.

Reconstruction is a large, lengthy, and difficult undertaking for any country. But the pervasive insecurity and corruption plaguing Afghanistan have severely inhibited U.S. reconstruction efforts, and have made oversight of these efforts incredibly difficult…

**Good or Bad: Governance Is – and Will Be – Dependent on Outside Financing**

Financing is an equally critical issue. The Afghan central government cannot function in any area without massive outside aid. As noted earlier, “the World Bank estimates that international grants finance 75% of Afghanistan’s public expenditures. The United States is the largest source of those grants.”30 The Afghan central government’s total civil and security budget now totals around $11 billion annually while Afghan domestic revenues are only about $2.5 billion.31 The World Bank also notes that this dependence reflects,32

“the wide gap between revenues and expenditures…Total grants are equal to around US$8.5 billion per year. This is equal to around 45 percent of GDP, compared to an average of around10 percent for low income countries.”
There is no reliable way to estimate Afghanistan’s future needs if the central government and the Taliban can agree on a peace. The World Bank has done a preliminary study, which warns that the Afghan government is likely to be at least as dependent on outside aid as it is now, and it would need more for real development. Any warfighting savings in security would be offset by the need to absorb and fund Taliban fighters while also keeping ANSF personnel employed long enough to make a transition into the civil economy.

**Chart Two** shows the key bottom lines in these World Bank estimates. The World Bank study also makes key summary points that will apply to any real peace, regardless of its specific terms:

- Public expenditure in Afghanistan is already at high and unsustainable levels. Total public expenditure is equal to around 58 percent of GDP, much higher than average for a low-income country. Revenues have grown rapidly over recent years, but still fall far short of what would be required to support expenditure at current levels. Total revenues are currently equal to only around US $2.5 billion dollars per year, while total expenditures are equal to around US$11 billion per year.

- Total financing needs are likely to remain at close to current levels. Aggregate future financing needs are driven by expenditures on: i) security; ii) core government services and infrastructure; iii) new public investments required to support accelerated economic growth; and iv) post-settlement programming initiatives to consolidate and sustain a political settlement, such as community development and job creation schemes. Aggregate financing needs are expected to remain close to current levels. Declines in security sector expenditure will be offset by the need for increased civilian spending to support a rapidly-growing population and facilitate faster economic growth.

- Under a baseline scenario of continued slow economic growth and moderate improvement in revenues, grant needs would range between US$5.8 billion and US$7.6 billion per year. US$5.8 billion per year would be sufficient to finance maintenance of existing services and gradual expansion of infrastructure in line with population growth. US$7 billion per year would be sufficient to finance current services and infrastructure with additional investments to support more-rapid growth (including human capital and infrastructure improvements). US$7.6 billion per year would be sufficient to meet current infrastructure and service costs, finance growth-enhancing investments, and provide resources for additional programs to sustain and consolidate peace, including through expanded community development and job creation programs.

- A precipitous decline in grant resources, however, would force very difficult trade-offs between important policy objectives. A precipitous reduction in either security or civilian grants would force a choice between: i) sustaining security spending; ii) maintaining the delivery of basic government functions (such as social services and infrastructure); iii) undertaking required public investments to support faster economic growth and poverty reduction; and iv) delivering short-term benefits to Afghans following a political settlement to help to sustain and consolidate peace.

- Benefits of short-term post settlement programming are likely to be short-lived if they come at the cost of continued investment in the basic functions of government and the core service delivery mechanisms that have been built up since 2001.

- Expectations should be realistic regarding the capacity of new grant-financed programs to deliver a substantial peace dividend. Resources available for delivering a post settlement dividend are likely to remain limited under any scenario, relative to the extent of grant support already being provided. The most significant benefits of a political settlement are likely to be realized if such a settlement leads to improvements in security, political stability, and freedom of movement. Increased private sector investment, job creation, and access to services resulting from such improvements is likely to deliver much more significant and sustainable benefits than grant-financed interventions. This is especially the case given the current context of already-unsustainably high public expenditure and likely declines in grant support over the medium-term.

- Under a baseline (pre-Corona) scenario, revenue growth would be minimal. Under a baseline scenario, conflict continues at current levels. Limited progress is made with policy and institutional reforms. No major new revenue-generating projects are realized. Economic growth accelerates only slightly to around three percent per annum over the period. Under this scenario, revenues increase only slightly from around US$2.5 billion in 2019 to around US$2.8 billion by 2024.
A downside (Corona-like) scenario could see revenues collapsing. Under a downside scenario, conflict intensifies, and governance and institutions are weakened. No progress is made with policy and institutional reforms. No major new revenue-generating projects are realized. Economic growth remains stagnant at around 1.5 percent per annum. Revenue performance weakens to a similar extent observed over the 2014 election period (revenue as a percentage of GDP collapses to around 8.5 percent in 2020 before recovering gradually to current levels by the end of the period). Under this scenario, revenues fall quickly from around US$2.5 billion in 2019 to just US$1.7 billion in 2020, before recovering to around current levels by 2024.

Economic growth in Afghanistan is currently too slow to reduce poverty and increase living standards. The economy is currently growing by around two percent per year, while the population is growing at around 2.3 percent per year. This equates to declining per capita incomes. Poverty rates are rapidly increasing, with the number of Afghans living below the basic needs poverty line (of around US$1 per day) increasing from around 39 percent in 2012 to around 55 percent today. The number of jobs available to Afghans is currently declining, while 300,000 young people enter the labor force every year. While a reduction in violence may facilitate improvements in growth, employment, and living standards, substantial public investments to improve services and expand infrastructure are likely to be needed to mobilize new growth sources that could drive a step-change in economic growth.

The present trends in government-raised revenues are far from good and are likely to be hit hard by the Coronavirus crisis as well as by related cuts in donor funding. The SIGAR Quarterly Report for April 30, 2020 notes that:

Afghanistan’s sustainable domestic revenues contracted by 7.8% over the first three months of FY 1399 (December 22, 2019, to December 21, 2020), year-on-year, SIGAR analysis showed. Because no one-off revenues were recorded in the first quarter, aggregate domestic revenues declined by the same amount. In the first three months of FY 1399, the Afghan government collected $494.4 million (compared to $536.2 million in the first three months of FY 1398)...In recent years, aggregate annual revenues have been approximately $2.5 billion.

It was not possible to ascertain what drove the decline in the first quarter (nearly half of revenues collected had not yet been reconciled). However, a spokesman for the Ministry of Finance (MOF) attributed the contraction to “political issues” (a presumed reference to the disputed presidential election) and lower customs taxes...Because the Afghan government relies so heavily on customs duties and taxes—which make up approximately one-fifth of all revenues—increased border closures due to the spread of COVID-19 could adversely affect Afghanistan’s fiscal position in 2020.

The Afghan government signaled it would continue the recent trend of supplementing lagging core revenue collections (i.e. taxes) with large one-off transfers of foreign exchange profits from the central bank (DAB)...In the fourth month of FY 1399, the MOF received a $163.6 million transfer from DAB, constituting 68.0% of revenues collected in the month, as of April 12, 2020...While central bank profits are not an illegitimate source of revenue, they are not considered to be a sustainable source of government funding...

The financing of the Taliban and various power brokers also will have to be addressed if there is to be a real peace plan. The Taliban now relies on donations, extortion, and narcotics. If it joins the government or has any form of separate regional control, it will now need government financing. The willingness of local, regional, and factional power brokers – and narcotraffickers generally – to accept a peace plan that denies them their current income will also be problematic.

Lessons for Governance

Sopko summed up the lessons that SIGAR had learned from years of inspecting the level of Afghan governance as follows:

Our first lessons learned report, Corruption in Conflict, published in 2016, found that corruption substantially undermined the U.S. mission in Afghanistan from the very beginning. The lesson is that anticorruption efforts need to be at the center of planning and policymaking for contingencies like Afghanistan.
• Our second report, published in 2017, entitled *Reconstructing the Afghan National Defense and Security Forces*, revealed that the U.S. government was ill-prepared to help build an Afghan army and police force capable of protecting Afghanistan from internal or external threats. We found that the U.S. government lacked a comprehensive approach and coordinating body to successfully implement the whole-of-government programs necessary to develop capable and self-sustaining Afghan security forces.

• In April 2018, we published our third report, *Private Sector Development and Economic Growth*, which found that early economic successes in Afghanistan were undermined by ongoing physical insecurity and political instability, which discouraged investment and other economic activity.

• Our fourth report, *Stabilization*, was published in May 2018 and revealed that we greatly overestimated our ability to build and reform government institutions in Afghanistan, and that reconstruction programs were not tailored to Afghanistan’s operating environment, were hampered by unrealistic timelines, and successes rarely lasted longer than the physical presence of coalition troops.

• *Counternarcotics* was the subject of our fifth report, published in June 2018. We found that no program led to lasting reductions in poppy cultivation or opium production—and, without a willing Afghan partner and stable security environment, there was little possibility of future success.

• In 2019, our sixth report, *Divided Responsibility*, highlighted the difficulty of coordinating security sector assistance during active combat and under the umbrella of a 39-member NATO coalition when no specific DOD organization or military service was assigned ultimate responsibility for U.S. efforts.

• And last Fall, our seventh report, *Reintegration of Ex-Combatants*, examined the five main post-2001 efforts to reintegrate former combatants into Afghan society. We found that successful reintegration was a key to peace but that our prior efforts did not help any significant number of former fighters to reintegrate, did not weaken the insurgency, and did not reduce violence.

**Corruption is a Key Challenge**

Poll after poll of Afghanistan and other similar developing countries shows that corruption is one of the most critical single factors that undermines faith in the government. Transparency International still ranks Afghanistan as the eighth most corrupt government in the world, and years of anti-corruption efforts have so far produced few – if any – effects. The SIGAR Quarterly Report for April 30, 2020 also makes it clear that that Afghan government is pursuing yet another series of anti-corruption measures that have had negligible or minimal impact at best.

The World Bank’s broader assessments of Afghan corruption and all the other major aspect of Afghan governance are summed up all too clearly in its latest annual rankings of Afghan governance. These rankings are shown for the period from 1996 to 2018 in Chart One. These are not the worst rankings in the world, but they come very close in all six of the key aspects of governance the World Bank uses. They also show remarkably little improvement – if any – from 1996 to 2018. If anything, the rise in corruption means that the current government is probably worse for many Afghans than what they experienced with the Taliban.

It is also critical to understand that these issues go far beyond the top levels of governance. The shell of modern governance applies to Kabul, several other cities, and scattered parts of the country. Critical weaknesses exist in Afghan governance at the urban, provincial, and district levels. They affect every aspect of the justice system, law enforcement, and internal security – as well as in most government jobs, contracting, major spending, infrastructure activity, and services. They shape the allocation and consumption of most outside aid as well as the many aspects of Afghanistan’s operations as the world’s dominant supplier of opium and natural opiates.

The real-world situation is also generally far worse than many of the claims – that have been made about Afghan progress following the defeat of the Taliban government – would indicate. As
SIGAR and a wide range of media reporting shows, the level of data quality or transparency in reporting out of Afghanistan often exaggerates the actual progress in education, health, government services, and infrastructure. The same has been true of U.S. government reporting. Such favorable reporting often uses numbers that have no clear source, definition, and/or measures of uncertainty. They sometimes cover only a relatively small portion of the country and “islands of competence.”

Sources like the World Bank field teams have also warned that the levels of progress in governance, such as those that occurred after 2001, have since seen steady cuts – triggered in part by the steady loss of areas where the government and aid workers can operate and collect data. These include key areas like fighting poverty and education.

**Peace Expectations and Population Pressure**

Afghans under the control of the central government have largely learned to live with these problems – in part because the standards of governance have been so low for such a long period and because the nation has been at war for decades. Afghans are far less likely to tolerate today’s conditions, however, if they are promised some form of peace. The same is almost certainly true of Taliban fighters and those Afghans that live under de facto Taliban control.

These expectations will be further increased by Afghanistan’s shift toward urbanization, which has been driven in part by the search for security and in part by the search for better living conditions. The CIA estimates the level of urbanization reached 26% in 2020, and this was estimated to be increasing at 3.4% per year. This urbanization has steadily increased the number of Afghans dependent on a market economy, urban prices, and government services.\(^\text{39}\)

The need for better governance is also being driven by a sharply rising population. As the World Bank, IMF, and UN have all noted, Afghanistan is also under intense population pressure. The U.S. Census Bureau – whose rankings track closely with UN data – estimates that Afghanistan has gone from a population of only 8.15 million in 1950, to 15.054 million in 1980, to 22.46 million in 2000, and to 32.56 million in 2015.\(^\text{40}\)

In spite of a near constant war, Afghanistan is still experiencing a major “youth bulge.” Its population reached 32.56 million in 2020, and it will increase by roughly a million a year to 45.67 million in 2030.\(^\text{40}\) This means there will be a need to create well over 300,000 new male jobs a year in a country that will increasingly need to create jobs for women as well. While current estimates of Afghan youth unemployment differ radically, some are well over 17% and would be significantly higher if service in the military – due to the lack of any civil job opportunities – and disguised unemployment were considered.\(^\text{41}\) It also means a steady increase in the already extraordinarily high dependency ratio of young Afghans that are dependent on income from other working Afghans.

**Forging a New A Structure of Governance**

All of these factors now drive the ability to create a new structure of governance in a peace agreement that includes the Taliban but excludes other extremist and terrorist movements. All require national, regional, and local compromises between the Taliban, the central government, and key power brokers in the way governance is shaped and functions. This does not have to be completed by May 2021 to meet the 14-month deadline, but the process of change must then be acceptable to both sides in spite of their major differences in goals and values.
As the next section of this analysis shows, these problems involve broad areas of the country that are known to be under Taliban control or where the Taliban currently disputes control with the Afghan central government. There are no clear or easy lines of demarcation that lend themselves to a split between the central government and the Taliban’s systems, and there often are government controlled urban areas near Taliban controlled rural areas. They sometimes include key areas of drug production, areas with the same sect and ethnicity, and areas were pro-government power brokers and Taliban factions have their own goals and power. Once again, peace deadlines pose serious questions.
Chart One: Afghanistan’s Failed Levels of Governance at Every Level of World Bank Assessment: 1996-2018

Chart Two: Peace is Dependent on Massive Outside Aid to Governance and Government Activity

Figure: Total financing needs remain roughly constant over the projection period
Total projected financing needs

Table: Grant needs remain substantial under all likely scenarios
Annual grant needs by scenario and expenditure category

<table>
<thead>
<tr>
<th>Growth and revenue scenario</th>
<th>Downside</th>
<th>Baseline</th>
<th>Mid-case</th>
<th>Rapid growth</th>
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<tr>
<td>Average annual grant needs 2020-2024 (US$ billions)</td>
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<tr>
<td>Base expenditures + Expenditures for accelerated growth + Expenditures to consolidate and sustain peace</td>
<td>8.2</td>
<td>7.6</td>
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Afghan National Security Forces that Cannot Stand Alone

The uncertain ability of the Afghan National Security Forces (ANSF) to survive the U.S. force and funding cuts that are now underway is the fourth major challenge to a successful peace. A broad stream of media reporting and outside analysis made this all too clear, long before the U.S.-Taliban agreement in February 2020. So did much of the official reporting on the course of the fighting from 2008 onwards.

Over-Classified Data Do Not Hide the Uncertain Capabilities of the ANSF

Unfortunately, there now are major problems in finding enough official data to make a full assessment. Since 2011, the United States, NATO, and the Afghan government have steadily reduced availability or classified data that shows negative trends or could be politically embarrassing. Classification or non-reporting includes performance assessments of Afghan Ministry of Defense (MOD) and Ministry of the Interior (MOI), basic ANSF strength data and almost all effectiveness data, estimates of central government versus Taliban control of given districts, Afghan military casualties, and now Enemy Initiated Attack (EIA) data. SIGAR’s April 30, 2020 Quarterly Report states that,

This quarter RS restricted from public release its data on enemy-initiated attacks (EIA), an important metric the command uses to track the levels and locations of violence across Afghanistan. This is the first time RS has restricted the release of this data since it began providing it to SIGAR in September 2018. RS explained its decision by saying “EIA are now a critical part of deliberative interagency discussions regarding ongoing political negotiations between the U.S. and the Taliban.” The Pentagon’s Afghanistan policy office added that after the deliberative process ends, the data could again become releasable to the public.

Nevertheless, unclassified reporting to the Congress by the Special Inspector General for Afghan Reconstruction (SIGAR) and the Lead Inspector General (LIG) do still highlight the instability and gaps within the Afghan forces, although it now seems likely that some of the few remnants of such reporting will now be classified and cease to be reported in the open source SIGAR and LIG reports.

Chart Three shows that current manning estimates are now significantly lower than in 2017. This partly comes from efforts to get more honest reporting and eliminate “ghost” soldiers from the totals reported. At the same time, SIGAR reports that, “ANDSF personnel strength numbers sourced from APPS is 8% lower (roughly 25,000 personnel) than the Afghan-provided strength data reported during the same period in 2019 under the previous Afghan Human Resource Information Management System (AHRIMS).”

SIGAR reports that,

DOD and RS have identified attrition as one of the “Top 10 Challenges and Opportunities” for building the capacity of the ANDSF. According to DOD, personnel dropped from the rolls (DFR) account for the greatest portion of ANA and ANP attrition rates, but DFR rates for both have been improving. DOD said the most common reasons for DFRs are poor unit leadership (generally the biggest contributor), low pay or delays in pay, austere living conditions, denial of leave, and intimidation by insurgents. ANDSF advisors are tackling these problems by focusing on encouraging key reforms, leadership development, properly handling ANDSF pay, and reducing the use of checkpoints, which all have the secondary effect of improving care for soldiers and police, and reducing factors that negatively impact attrition...

CSTC-A reported last quarter that the ministers of defense and interior have ordered MOD and MOI personnel to improve attrition by reducing absence without leave and increasing the re-enlisting of personnel separated from the force. These efforts may take time to yield results. Both MOD and MOI elements usually self-report an average quarterly attrition of about 2–3% of the force.
These SIGAR and previous LIG reports on the level of fluctuation in manning levels are only one of the many ongoing warnings that there is not a stable build-up of experience and warfighting quality in the ANSF as a whole – including ANSF forces and internal security forces, and especially police and local forces. The promise of reform must also be considered in the light of similar promises that have not been made for more than the last decade.

Retention is a critical issue even though many young Afghan men have virtually no alternative employment. Moreover, the reports on force progress in readiness and training in the SIGAR and LIG reports do not reflect the kind of improvements in force quality that will allow ANSF forces to substitute for U.S. and other NATO forces in 14 months if there is any serious Taliban challenge to the peace process – or at any time in the next few years.

The role played by U.S. land elements like the Security Assistance Force Brigades, Special Forces and other elite land combat elements, and the CIA is also critical. The United States is committed to reducing its troop levels in Afghanistan to 8,600 within 135 days of the February 29, 2020 agreement – or all U.S. troops within 14 months if the Taliban fully meet their commitments. The pace and scale of such U.S. cuts remains unclear, but the SIGAR April 2020 Quarterly Report sounds a warning.45

Defense Secretary Mark Esper and General Miller have said they believe that a force of 8,600 is adequate to undertake both U.S. missions in Afghanistan outlined under Operation Freedom’s Sentinel (OFS): the unilateral U.S. counterterrorism mission and the U.S. contribution to NATO’s Resolute Support (RS) mission to train, advise, and assist (TAA) the ANDSF. Defense officials have not yet articulated how an eventual drawdown below the 8,600 level might impact both missions.

Substantial and continued U.S. and international financial, military and contractor support is required to sustain the ANDSF as it is currently constituted. Without support, the ANDSF will struggle to maintain and operate certain types of equipment, vehicles, and aircraft; provide consistent logistics support across the force; and root out fuel-related and other corruption across its ranks.

These elements are small, but they still underpin the forward area training and combat support of the best ANSF land forces, and even the current reductions in such forces may have a critical impact. ANSF land forces are not ready to fight the Taliban without U.S. support if anything goes wrong with the peace process.

The Afghan side of the training process has improved over time, but it is still weak and has serious problems with corruption. Moreover, the Afghan government has yet to show that it can even properly allocate the limited elite forces – like the Afghan Special Security Forces (ASSF) – it already has without U.S. help and guidance.46

The same is true of the lack of progress in the Afghan Air Force. The Air Force is making progress, but that progress falls far short of the levels that would allow it to be a replacement for the U.S. airpower described earlier.
**Chart Three: Shifts in Afghan National Security Force Manning: 2016-2020**

**REPORTED ANDSF ASSIGNED STRENGTH SINCE 2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>ANA Including AAF</th>
<th>ANP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2016 (Self-reported)</td>
<td>325,815</td>
<td>146,304</td>
</tr>
<tr>
<td>1/2017 (Self-reported)</td>
<td>331,708</td>
<td>153,997</td>
</tr>
<tr>
<td>1/2018 (Self-reported)</td>
<td>313,728</td>
<td>129,156</td>
</tr>
<tr>
<td>1/2019 (Self-reported)</td>
<td>306,807</td>
<td>116,384</td>
</tr>
<tr>
<td>1/2020 (APPS)</td>
<td>281,807</td>
<td>99,375</td>
</tr>
</tbody>
</table>

**REPORTED ANDSF ASSIGNED STRENGTH FROM APPS**

<table>
<thead>
<tr>
<th>Month</th>
<th>ANA Including AAF</th>
<th>ANP</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/2019</td>
<td>263,880</td>
<td>91,465</td>
</tr>
<tr>
<td>8/2019</td>
<td>259,369</td>
<td>93,003</td>
</tr>
<tr>
<td>9/2019</td>
<td>260,432</td>
<td>93,644</td>
</tr>
<tr>
<td>10/2019</td>
<td>272,807</td>
<td>96,788</td>
</tr>
<tr>
<td>11/2019</td>
<td>275,827</td>
<td>96,432</td>
</tr>
<tr>
<td>12/2019</td>
<td>281,246</td>
<td>99,422</td>
</tr>
<tr>
<td>1/2020</td>
<td>281,548</td>
<td>99,375</td>
</tr>
</tbody>
</table>

**Notes:**
- This quarter’s data is as of January 26, 2020. ANA = Afghan National Army; AAF = Afghan Air Force; ANP = Afghan National Police; ANDSF = Afghan National Defense and Security Forces. No civilians are included in strength numbers.
- ANA strength numbers include the AAF and trainees, transfers, holdovers, and student personnel. ANP strength numbers do not include “standby” personnel, honorably reservists, or personnel not in service while completing training. The change in strength numbers from 2019 to 2020 is due to the transition of strength reporting from ANDSF-reported figures to reporting from the Afghan Personnel and Pay System (APPS). The strength numbers reported here should not be viewed as exact. CSTC-A and SIGAR have long noted many data-consistency issues with ANDSF strength numbers, and CSTC-A always provides the caveat that it cannot validate ANDSF strength data for accuracy.

SIGAR, *Quarterly Report to Congress*, April 30, 2020, pp. 75-76.
Central Government vs. Taliban Control of the Country

From 2010 onwards, it was clear from official reporting on the patterns of combat that a growing number of Afghan Districts were under Taliban control or actively disputed. That official reporting on control of given parts of the countryside – like reports and maps showing where the central government did and did not have effective ability to govern, and UN maps showing which parts of the country were safe for aid workers – are no longer available or have been cancelled for “security” purposes. Given the near certain leakage of such data to the Taliban, such classification efforts seem to be more of an effort to “spin” the war more favorably by eliminating negative reporting than for real-world security purposes.

As noted earlier, SIGAR stated in its April 30, 2020 Report to Congress that the Resolute Support command had classified yet another indicator of which side was winning and continued to classify many other data on Afghan national security force manning and effectiveness. SIGAR also noted the reported control of the countryside in a brief overview, stating, …

…Between March 1 and 31, the Taliban refrained from attacks against Coalition forces; however they increased attacks against ANDSF to levels above seasonal norms. The Afghan Government maintains control of Kabul, provincial capitals, major population centers, most district centers, and most portions of major ground lines of communications (GLOCs). The Taliban contest several portions of main GLOCs, contest district centers in vicinity of Taliban strongholds, and in late March overtook Yamgan District, Badakhshan. Since the [RIV] period, the Taliban reduced violence against ANDSF in provincial capitals, likely to avoid risking the United States-Taliban agreement…

Outside media and analytic reporting provide a less reassuring picture. They indicate that the Taliban continues to gain control of territory relative to the ANSF and the Afghan central government. In some ways, such reporting indicates that the central government is becoming a government whose forces increasingly concentrate on controlling major population centers – and they are more a government of “Kabulstan” than a government of Afghanistan.

One key indicator of the risks involved is the work done by the Long War Journal to track the current patterns in Taliban control of the districts in Afghanistan. This LWJ mapping effort is shown in Chart Four depicting the map shown on the LWJ website in April 2020. It does not have an update as of date – and the LWJ no longer can draw on official sources – but the methodology and its limits are well described, and the map seems to provide as good of a picture on the current balance that is available in open sources.

The map found that the Afghan central government controls some 15.2 million people – largely in urban areas – while the Taliban controls 4.6 million Afghans and contests control of 13.3 million. The government controls 133 districts, while the Taliban controls 75 districts and contests control of 189.

As both SIGAR and the LWJ note, the trend in the various metrics that compare the Afghan central government’s level of control with that of the Taliban has favored the Taliban since the withdrawal of most U.S. combat troops at the end of 2014. Moreover, the term “government control” is all too relative. There are many areas that are under the effective control of power brokers, drug lords, and warlords rather than the central government – and where it is unclear that any compromise of a political agreement at the top between the Ghani and the Abdullah Abdullah factions would necessarily affect areas under local power brokers if they opposed the terms of a peace.
Combat with the Taliban Does Continue

So far, the peace agreements with the Taliban and efforts to reduce violence have only had a mixed impact. Some sources report civilian casualties are down, but media reports indicate that military casualties may not have declined. Taliban attacks also continued to rise in April 2020 in spite of the steady rise in Coronavirus cases and the efforts to strengthen the agreement to reduce violence.51

Part of this violence may be a reaction to the Afghan central government’s failure to fully implement the prisoner exchange program called for in the February 29, 2020 peace agreements, but another part seems to be the result of an ongoing effort to preserve the Taliban’s military options and keep military pressure up on the Afghan forces.

Once again, the April 2020 SIGAR Quarterly Report sounds a clear warning,52

This quarter RS restricted from public release its data on enemy-initiated attacks (EIA), an important metric the command uses to track the levels and locations of violence across Afghanistan. This is the first time RS has restricted the release of this data since it began providing it to SIGAR in September 2018. RS explained its decision by saying “EIA are now a critical part of deliberative interagency discussions regarding ongoing political negotiations between the U.S. and the Taliban.” The Pentagon’s Afghanistan policy office added that after the deliberative process ends, the data could again become releasable to the public…

RS’s statement about the violence level from March 1–31 corresponds with the publicly available data from open sources. The New York Times reported on March 4 that Taliban violence against the ANDSF had increased after the signing of the U.S.-Taliban agreement, as they conducted 76 attacks across 24 Afghan provinces in four days. The Armed Conflict Location and Event Data Project (ACLED), partly funded by the State Department, attributed 538 violent incidents to the Taliban from March 1–31, a 42% increase in incidents compared to February 2020 (which included the RIV week), and an 11% increase compared to March 2019. TOLOnews also reported an increase in Taliban attacks following the signing of the U.S.-Taliban agreement (31–96 attacks per day between March 3 and April 7 versus around 70 attacks per day before the RIV), though they did not indicate the source of their data…

After concluding that there had been no post-agreement reduction in Taliban attacks, on March 19, Afghanistan’s Acting Minister of Defense Asadullah Khalid ordered MOD forces “to return to [an] active defense position from [a] defensive position,” meaning they had “the right to attack the enemy where they are preparing to attack.”…As Taliban attacks on the ANDSF continued into early April, a USFOR-A spokesperson reported that General Miller met with Taliban leadership in Doha on April 10 and 13 “as part of the military channel established in the agreement … about the need to reduce the violence.”

Moreover, while the Taliban was negotiating a peace deal that was dependent on the stipulation that it would also actively suppress terrorist movements like al Qaeda and ISIS, the Taliban issued a eulogy praising Mullah Mohammed Omar’s “historical statement” that marked the seventh anniversary of his death. A report in the Long War Journal noted that this statement, entitled “A legendary leader, the Omar of our time,” was placed on the Taliban’s official website, Voice of Jihad, on April 23, 2020.53
FDD’s Long War Journal has been tracking the Taliban’s attempts to gain control of territory since NATO ended its military mission in Afghanistan and switched to an “advise and assist” role in June 2014. Districts have been retaken (by both sides) only to be lost shortly thereafter, largely resulting in the conflict’s current relative stalemate. However, since the U.S. drawdown of peak forces in 2011, the Taliban has unquestionably been resurgent.

The primary data and research behind this are based on open-source information, such as press reports and information provided by government agencies and the Taliban. This is a living map that LWJ frequently updates as verifiable research is conducted to support control changes. Any “Unconfirmed” district colored orange has some level of claim-of-control made by the Taliban, but either has not yet been—or cannot be— independently verified by LWJ research. A “Contested” district may mean that the government may be in control of the district center, but little else, and the Taliban controls large areas or all of the areas outside of the district center. A “Controlled” district may mean the Taliban is openly administering a district, providing services and security, and also running the local courts.

Afghanistan’s Critical Economic Challenges

Like the reporting on Afghan governance, most of the reporting on the Afghan economy precedes the impact of the Coronavirus crisis and the definitive failure of the Afghan Presidential election. This reporting also generally relies on uncertain sources, estimates rather than hard data, the future implementation of reform plans, and data that have been “spun” by the central government and sometimes aid donors to make the situation appear more favorable.

There has been real progress in some areas, but much of that progress slowed after 2008-2011 as the Taliban became more successful and the political turmoil in Afghanistan has since made reform plans even harder to implement. It has also become clear that the Coronavirus will have a critical impact on the Afghan economy, and that Afghanistan is already suffering as Afghans in Iran and Pakistan are now being pushed out of these countries.

For all the usual focus on growth in the GDP, this disguises critical problems that exist even if one ignores corruption and a pattern of income distribution that favors a comparatively small elite. Afghanistan has one of the lowest gross national incomes (GNIs) per capita in the world. The World Bank estimates are dated but show that Afghanistan’s GNI per capita in 2016 was only $570, a 5% decline from 2050. It was $550 in 2017 – a 3.51% decline – and $550 again in 2018.\(^54\) The CIA World Factbook indicates that Afghanistan has the 19\textsuperscript{th} lowest per capita income in PPP terms of any country in the world. While the figures again are dated, it estimates that 54.5\% of the population lives below a very low poverty line in 2017, and unemployment was 23.9\%\(^55\).

The SIGAR April 2020 Quarterly Report to Congress

SIGAR provides a similar analysis in the economic profile in its April 30, 2020 Quarterly Report:\(^56\) Afghanistan remains impoverished, conflict-affected, and heavily aid dependent. While the overall economic goal of the current U.S. strategy is to move Afghanistan from being a recipient of assistance to an enduring economic partner, donor grants totaling $8.5 billion per year (combined security and civilian assistance) currently finance approximately 75\% of total public expenditures…Afghanistan’s real, licit GDP growth rate averaged just under 10\% over the first decade of reconstruction, driven by donor funding and a large international troop presence. But the growth rate dropped substantially as the Afghan government assumed responsibility for the fight against the Taliban insurgency…

In more hopeful recent developments, the World Bank reported that the Afghan economy grew by 2.9\% in 2019, catalyzed by the end of a prolonged drought and higher levels of snowfall and precipitation during the winter of 2018–2019. However, the Bank said that higher agricultural growth was partially offset by lower growth in the industrial and services sectors.

Despite the growth-rate increase, poverty likely worsened in 2019, the Bank added. Though favorable weather improved rural livelihoods for some Afghans, the effects were uneven, as continued internal displacement may have had adverse effects on the timing of agricultural planting. Overall, private-sector confidence remained weak in 2019, reflected in excess liquidity and stagnant loan-to-deposit ratios in the commercial banking sector.

While USAID says that, in the mid-term, its programs “will help accelerate private sector-driven and export-led economic growth,” slowing export growth in 2019, compounded by the global pandemic, challenges this expectation. The Bank expected that Afghanistan’s trade deficit would grow, with exports unable to keep pace with imports. Afghanistan’s poor licit trade situation is attributable to persistent conflict, the country’s landlocked geography (which significantly raises the costs of trade, relative to countries with direct access to commercial sea routes), low levels of infrastructure and institutional capacity, and limited access to electricity and finance. However, these obstacles do not preclude Afghanistan from exporting large amounts of opium, which dwarf the country’s licit exports…
Although the Bank anticipated in late-January that growth would climb to 3.3% in 2020, that was before the emergence of COVID-19, which has since brought the global economy to a veritable standstill. The specter of significant economic disruption in Afghanistan due to the spread of the novel coronavirus looms large.

The Current IMF Country Report

Some of the best reporting on the Afghan economy comes from international organizations. The latest IMF country report on Afghanistan was issued on December 20, 2019 – and precedes the peace agreements and the arrival of the Coronavirus – but it is still grim. The summary states that, Afghanistan is a fragile, aid-dependent country where insecurity combined with episodes of political uncertainty and adverse weather events have kept real GDP growth below 3 percent in recent years. In early September, U.S.-Taliban talks on a U.S. troop withdrawal as a basis for peace negotiations were suspended, with uncertainty as to the timing of their resumption. Presidential elections were held at end-September, but results have yet to be announced. The international community continues to support Afghanistan with civilian and military assistance and is pressing for intra-Afghan peace talks and an immediate reduction in violence. The authorities have expressed an interest in a new financial arrangement to support reforms.

World Bank Cost of Peace Warnings

There is no way to know how either the real-world course of the peace effort or the impact of the Coronavirus will actually affect Afghanistan at this point in time. The World Bank has, however, issued a report called “Financing Peace,” which provides further data on the challenges Afghanistan faces. This analysis does not address key issues like narcotics, corruption, employment, trends in per capita income, inequities by region and faction, and distribution of wealth. Nevertheless, it makes key points that show Afghanistan still faces critical economic problems, and that the success of any peace effort is almost certain to be dependent on extremely high levels of external aid:

Under a baseline scenario of continued slow economic growth and moderate improvement in revenues, grant needs would range between US$5.8 billion and US$7.6 billion per year. US$5.8 billion per year would be sufficient to finance maintenance of existing services and gradual expansion of infrastructure in line with population growth. US$7 billion per year would be sufficient to finance current services and infrastructure with additional investments to support more-rapid growth (including human capital and infrastructure improvements). US$7.6 billion per year would be sufficient to meet current infrastructure and service costs, finance growth-enhancing investments, and provide resources for additional programs to sustain and consolidate peace, including through expanded community development and job creation programs.

A precipitous decline in grant resources, however, would force very difficult trade-offs between important policy objectives. A precipitous reduction in either security or civilian grants would force a choice between: i) sustaining security spending; ii) maintaining the delivery of basic government functions (such as social services and infrastructure); iii) undertaking required public investments to support faster economic growth and poverty reduction; and iv) delivering short-term benefits to Afghans following a political settlement to help to sustain and consolidate peace. Benefits of short-term post settlement programming are likely to be short-lived if they come at the cost of continued investment in the basic functions of government and the core service delivery mechanisms that have been built up since 2001.

Expectations should be realistic regarding the capacity of new grant-financed programs to deliver a substantial peace dividend. Resources available for delivering a post settlement dividend are likely to remain limited under any scenario, relative to the extent of grant support already being provided. The most significant benefits of a political settlement are likely to be realized if such a settlement leads to improvements in security, political stability, and freedom of movement. Increased private sector investment, job creation, and access to services resulting from such improvements is likely to deliver much more significant and sustainable benefits than grant-financed interventions. This is especially the case given the current context of already-unsustainably high public expenditure and likely declines in grant support over the medium-term.
… Post-settlement programming is likely to occur in the context of tight resource constraints. Grant support to Afghanistan remains at extremely high levels. The future level of grant support is subject to substantial uncertainty, with current pledges extending only through 2020. Declines in grant support are expected over the medium-term.

… Public expenditure in Afghanistan is at high and unsustainable levels. Total public expenditure is equal to around 38 percent of GDP, much higher than average for a low income country. High total expenditure is driven by very substantial security sector expenditures. Security spending accounts for just over half of total expenditures. Security spending is equal to around 30 percent of GDP, compared to just three percent for the average low-income country.

… While revenue performance has improved significantly over recent years, total revenues fall far short of expenditures. Afghanistan has achieved remarkable progress in increasing revenues over recent years, with total government revenues increasing from around 8 percent of GDP in 2014 to around 13.5 percent today. Government revenues are currently comparable to those of other South Asian countries. However, total revenues are currently equal to only around US$2.5 billion dollars per year, while total on- and off-budget expenditures are equal to around US$11 billion per year.

Afghanistan therefore remains heavily reliant on grants. Reflecting the wide gap between revenues and expenditures, Afghanistan continues to rely on grants to finance 75 percent of total public expenditures. Total grants are equal to around US$8.5 billion per year. This is equal to around 45 percent of GDP, compared to an average of around 10 percent for low income countries.

… Economic growth in Afghanistan is currently too slow to reduce poverty and increase living standards. The economy is currently growing by around two percent per year, while the population is growing at around 2.3 percent per year. This equates to declining per capita incomes. Poverty rates are rapidly increasing, with the number of Afghans living below the basic needs poverty line (of around US$1 per day) increasing from around 39 percent in 2012 to around 55 percent today. The number of jobs available to Afghans is currently declining, while 300,000 young people enter the labor force every year. While a reduction in violence may facilitate improvements in growth, employment, and living standards, substantial public investments to improve services and expand infrastructure are likely to be needed to mobilize new growth sources that could drive a step-change in economic growth.

… Grant financing to both the civilian and security sectors is channeled through trust fund and bilateral mechanisms. The largest single source of on-budget civilian support to Afghanistan is through the Afghanistan Reconstruction Trust Fund (ARTF), administered by the World Bank. The ARTF provides around US$800 million of on-budget grant support per year, complemented by around US$400 million of World Bank International Development Association (IDA) resources. Additional on-budget support is provided through the Asian Development Bank-administered Afghanistan Infrastructure Trust Fund (AITF).

… Current security sector expenditure in Afghanistan is approximately US$5.6 billion. Security expenditures are financed overwhelmingly through grants, with security grants equal to around US$4.9 billion per year... Under the assumption of an improvement in security conditions and realization of potential savings, security expenditures are projected to decline to around US$4 billion by 2024. This represents a US$1.6 billion reduction from current levels arising from both efficiency improvements and any potential change in force size and composition.

… The largest source of on-budget security support is the Combined Security Transition Command - Afghanistan (CSTC-A), which currently provides around US$900 million per year to the Ministry of Defense and Ministry of Interior. The UNDP-administered Law and Order Trust Fund for Afghanistan (LOTFA) provides an additional US$300 million per year of on-budget support.

Base civilian expenditure needs include the provision of basic services and infrastructure. Total on-budget base civilian expenditure is currently around US$3.6 billion per year. Of this amount, around US$1 billion is spent on salaries and wages, with the majority of salary expenditure allocated to social sectors. Other operating costs are equal to around US$1 billion per year. Around US$1.2 billion a year is spent on capital acquisition, almost entirely through the development budget. These expenditures represent the core functions of government, including the delivery of health and education and key investments in roads, energy, and irrigation.
Base on-budget civilian expenditure needs are expected to grow over time. Base civilian expenditure needs are expected to grow over time for two primary reasons. Firstly, Afghanistan’s population is growing rapidly (at around 2.3 percent per year). Some level of expenditure growth is required simply to sustain the current level of services to an expanding population. Secondly, Afghanistan is currently significantly underinvesting in operations and maintenance (O&M) expenditures. GoIRA is taking on responsibility for operating and maintaining assets provided by donors. Previous analysis has shown that Afghanistan must increase investment in O&M expenditure to around seven percent of GDP to effectively sustain the current asset base and avoid a deterioration in services and infrastructure.

Based on conservative assumptions, base on-budget civilian expenditure needs are expected to increase to around US$4.2 billion by 2024. This represents an increase of around US$500 million per annum over current levels. This assumes: i) constant per capita on-budget expenditure on services and infrastructure (taking no account of potential expansion of services to new areas following a political settlement); and ii) Gradual increases in O&M expenditure to the equivalent of seven percent of GDP by 2024 (from a current level of around five percent of GDP).

World Bank Coronavirus Economic Warnings in April 2020

The World Bank has also made a preliminary review of the economic impact of the peace agreements and the Coronavirus in its April 2020 “overview” of the Afghan economy. Like many World Bank reports, much of the analysis is optimistic, but it still warns of the economic challenges that any effort to implement a peace plan will face:

Afghanistan’s economy grew by an estimated 2.9 percent in 2019, driven mainly by strong agricultural growth following recovery from drought, but lingering political uncertainty dampens private confidence and investment, with the United Nations Assistance Mission in Afghanistan recording 3,403 civilian casualties in 2019, and more than 1.1 million Afghans internally displaced due to conflict. The surge in returns by an estimated 1.7 million documented and undocumented Afghan refugees during 2016-2017 remains a pressure on the country’s economy and institutions. Internal displacement and large-scale return within a difficult economic and security context pose risks to welfare for the displaced and for host communities.

... Substantial improvements in development outcomes have been observed in Afghanistan since 2001, particularly in expanded access to water, sanitation and electricity, education, and health services. Macroeconomic management remains strong, government revenues have grown consistently since 2014, and the government has engaged in an impressive range of business environment and public financial management reforms. Expanded access to health, education, and infrastructure has seen rapid improvements in outcomes, with Afghanistan catching up with other low-income countries against key development indicators. While progress has been uneven, increased access to services and infrastructure has driven huge development gains.

At the same time, Afghanistan continues to experience insecurity and political uncertainty. Presidential elections were held in September 2019, but the outcome remains contested. Afghanistan’s economy has been hard-hit by the outbreak of the COVID-19 virus, due to negative impacts on consumption, exports, and remittances. Conflict is ongoing, and 2019 was the sixth year in a row when civilian causalities in Afghanistan exceeded 10,000. The displacement crisis persists, driven by intensified government and Taliban operations in the context of political negotiations. The number of conflict-induced IDPs increased from 369,700 in 2018 to more than 400,000 in 2019. An additional 505,000 refugees returned to Afghanistan, mainly from Iran, during 2019.

Negotiations between the US and the Taliban have concluded by signing of the “Agreement for Bringing Peace to Afghanistan” on February 29, 2020, but the process of a political settlement is only beginning. Meanwhile, the duration and extent of continued international security support is being questioned. Current international security and civilian grant support pledges are due to expire in 2020, creating uncertainty regarding future aid levels and the sustainability of security and development expenditures. This has fundamental implications for the economy, with growth and investment constrained by weak confidence.

Afghanistan’s economy is estimated to have grown by 2.9 percent in 2019 driven by easing of drought conditions and rapid agricultural growth. Inflation remained modest at 2.3 percent. The trade deficit remains extremely large, at around 31 percent of GDP, financed mostly by grant inflows. Fiscal performance...
continued to improve in 2019 despite the elections with domestic revenues reaching 14.1 percent of GDP. Political uncertainties, however, dampened private sector confidence and non-agriculture growth. The basic needs poverty rate was 55 percent at the time of the last household survey (2016/17) and is expected to have worsened since due to declining per capita incomes.

The economy is expected to contract by up to four percent in 2020 with the negative impacts of the COVID-19 virus overshadowing improvements in weather conditions. Additional substantial downside risks remain, including political instability, deterioration of security conditions, premature reduction in aid flows, and further adverse regional economic or political developments. Poverty is expected to remain high, driven by weak labor demand and security-related constraints on service delivery.

Short-term priorities include continued implementation of business environment and anti-corruption reforms to improve private sector confidence, mobilize investment, and ensure confidence of the international community. Over the medium-term, reform efforts should focus on attracting additional investment in the agriculture and extractive sectors, which have the combined potential to deliver increased employment, exports, government revenues, and growth. To ensure that benefits of agriculture and extractives led growth are maximized and widely shared, continued investment is required in human capital, regional connectivity, expanded infrastructure, and an improved business regulatory environment.

The “New Silk Road” is Actually the “Old Opium Road”

The Afghan economy also continues to rely on massive exports of narcotics, the country’s only major source of export income. A previous Burke Chair report noted that, the report can only make guesstimates about the economic impact of Afghan narcotrafficking. It seems clear, however, that narcotics have earned at least $2.0 billion in hard currency in recent years, and the total may well have been over $3 billion by 2017. The CIA World Factbook estimates that the total legal exports from Afghanistan only totaled $619 million in 2016. These legal exports would be only be 31% of the $2 billion figure for drugs and 21% of the $3 billion figure. This truly makes Afghanistan a narco-economy.

It is equally important to stress that narcotics are only part of Afghan criminal network activity and corruption—a critical issue in a country that Transparency International ranked as the sixth most corrupt country on the world in 2016, and whose rank had risen to fourth in 2017—despite what were supposed to be major anti-corruption activities.

As Chart Five shows, SIGAR’s April 30, 2020 report reinforces this analysis. It also states that, Afghanistan’s Economic Performance Is Highly Sensitive to Narcotics Trade

When illicit activity is included in Afghanistan’s gross domestic product (GDP), the success or failure of the opium trade is shown to have a greater impact on growth than any other factor. The country’s National Statistics and Information Authority (NSIA), which includes the opium economy in one version of its GDP figures, reported that when estimated opium production dropped by nearly 30% due to a supply surplus and a widespread drought in 2018, the Afghan economy contracted by 0.2%. That figure differs substantially from the NSIA’s licit-only growth rate figure of 2.7%.

By contrast, the NSIA reported that GDP growth including the opium economy in 2017 was 7.2%, due to a nearly 90% increase in opium production. Afghanistan’s licit GDP growth rate in 2017 was 2.7%, according to the Bank and IMF.

Unlike the NSIA, neither the IMF nor the World Bank consider the narcotics economy in their GDP growth estimates. However, there appears to be increasing interest from the Bank on this issue. In a March 2020 paper described by its authors as “the first … to consider impacts [of conflict] across formal, informal, and illicit activities simultaneously,” the Bank found that while violence in Afghanistan negatively impacted licit economic activity, conflict had little impact on aggregate economic activity due to the high prevalence of opium-poppy cultivation.

A later section of the Report notes that, Excluding Opium Economy Distorts Analysis of Afghanistan’s Economic Performance
The IMF and the World Bank’s economic analysis ignores the most important factor to Afghanistan’s growth rate in recent years: the nourishing opium trade. Afghanistan’s National Statistics and Information Authority (NSIA), which includes the opium economy in one version of its GDP figures, reported that when estimated opium production dropped by nearly 30% due to a supply surplus and a widespread drought in 2018, Afghanistan’s economy contracted by 0.2%.

That figure differs substantially from the NSIA’s licit-only growth rate figure of 2.7%. Unlike the NSIA, neither the IMF nor the World Bank considers the narcotics economy in their GDP growth estimates.

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The impact the narcotics economy can have on Afghanistan’s economic growth rate is reflected by its size. According to the UNODC, the overall value of the opium economy in 2018 (between $1.2 billion and $2.2 billion) was equivalent to 6%–11% of the country’s licit GDP. As has become typical for Afghanistan, the value of opiates available for export in that year (between $1.1 billion and $2.1 billion) was much larger than the combined value of all licit exports ($875 million).

As for counter-narcotics activity, SIGAR reports that the Bureau of International Narcotics and Law Enforcement Affairs (INL) is not able to confirm the claims made by the MOI’s Deputy Minister for Counter Narcotics, Mohammad Hashim Urtaq, who issued a report on April 7, 2020. SIGAR also reports that INL states,

“further reported that crop eradication has been on a long-term downward trend, in part due to opium-poppy cultivation in inaccessible or insecure areas. As of late February 2020, INL had no plans to provide direct financial support to MOI for crop eradication in 2020… According to INL, it was not planning to provide direct financial support because it cannot verify eradication performed under the MOI…”

**Barriers to Doing Business and creating an Effective Private Sector**

Moreover, the Afghan government also still imposes numerous barriers to the development of its private sector. As **Chart Six** shows, the World Bank indicates that Afghanistan has the 17th worst “Ease of Doing Business” ranking in the world.

**The High Cost of Peace**

Put bluntly, these economic data show that even a working peace will require a major restructuring of governance, a far more effective approach to development, agreement between two radically opposed ideological approaches to economics, an exceptional dependence on outside aid at a time when donor countries face major strains on their spending, and an almost immediate implementation of a comprehensive development and reform plan that both the factions within the central government and the Taliban will support.
**Chart Five: Afghan Trade Relies on Staying a Narco-State: Afghan Legal Exports versus Estimate Opiate Exports in 2018**

The estimated value of opiate exports in 2018 was nearly twice the value of licit exports. An estimate of 2019 opiate exports is not yet available.

Note: The United Nations Office on Drugs and Crime (UNODC) publishes authoritative annual estimates of opiate exports. The UNODC expresses that value as a range. The bar representing the estimated value of opiate exports in 2018 represents the midpoint ($1.6 billion) of the 2018 range ($1.1 billion–2.1 billion) reported by the UNODC. While the UNODC figure is technically the "value of opiates potentially available for export" rather than an estimate of the value of actual exports, it is the best figure available to express the comparison with licit exports. Notably, while the value of licit exports, denominated in US dollars, has gradually risen over the last several years, according to official figures, the estimated value of opiate exports is far more volatile. For example, in 2017, the value of opiates potentially available for export was $4 billion–$5 billion, according to the UNODC.


Chart Six: Afghanistan’s Dismal Performance in the World Bank
Ease of Business Rating

<table>
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Source: Doing Business database.

Note: The rankings are benchmarked to May 1, 2019, and based on the average of each economy’s ease of doing business scores for the 10 topics included in the aggregate ranking. For the economies for which the data cover two cities, scores are a population-weighted average for the two cities. Rankings are calculated on the basis of the unrounded scores, while scores with only one digit are displayed in the table.

Supporting a Peace or Writing Off a Failed Security Partner?

No one can easily write off a nation because of its current sets of problems or the failures of its current leaders. If Afghanistan can move towards clear solutions to enough of these problems so that it can actually create even a credible springboard for a lasting peace, it will clearly be worth the cost of continuing U.S. support – particularly if any viable peace option can be developed.

If Afghanistan cannot move forward, this analysis warns that it is time for some grim decisions. It is one thing to help a country that helps itself, it is quite another thing to attempt to waste resources in trying to protect a state that suffers from so many self-inflicted wounds that it cannot move forward or use aid effectively. Strategic triage is an unpleasant exercise at best – and the Afghan people deserve far more than their present government and warring leaders provide – but the United States now operates in a world where hard choices need to be made and one where many alternative countries and real strategic partners have shown that they can use aid effectively to help themselves.

To put it bluntly, the United States may well have to choose between getting out without a real peace and staying indefinitely in country without a real government – which is slowly losing the war and is also facing a massive economic crisis. If the United States stays in Afghanistan under the present conditions, it will be backing a government that will be indefinitely dependent on outside aid – whose strategic value has declined from being the center of international al Qaeda terrorist activity to being just one more center of extremist violence in a world where many other such countries can be similar potential sites for such terrorist activity.

The U.S. will also be spending resources on Afghanistan that would have more humanitarian value if they went to countries that could help themselves, had lower levels of corruption and waste, and actually served the interest of their people. Quite aside from the selfish merits of a “realist approach” to security, the grim reality is that every humanitarian action involves tradeoffs in resources that benefit one nation at the expense of another. This is far more true in the Covid-19 period than in the past. Nations already at peace that have proven to be strategic partners will need aid, and “triage” in aid will be just as important as “triage” in allocating military forces and choosing a strategy.

Moreover, the choice for the United States is regional as well as national. It is one thing to work with a valid strategic partner where U.S. military and civil aid can provide regional advantages as well as offer limited advantages to a given partner country. In this case, however, the U.S. has many higher priorities outside Central Asia, and it has every reason to burden many of Afghanistan’s neighbor with this problem. The United States might actually gain far more by focusing on other regions and by leaving neighbors like Russia, China, Iran, and Pakistan with the problem of dealing with Afghanistan on their own.

Additional data on the problems in the Afghan politics, governance, security, and economics are available in another Burke Chair report, Afghanistan at Peace or Afghanistan in Pieces – Part One: The First Phase.
The United States has signed three agreements. The first is an agreement for bringing peace to Afghanistan, which is not recognized by the United States as a state and is known to the Taliban, signed on February 29, 2020, [https://www.state.gov/agreement-for-bringing-peace-to-afghanistan/](https://www.state.gov/agreement-for-bringing-peace-to-afghanistan/). The second is a Joint Declaration Between the Islamic Republic of Afghanistan and the United States of America for Bringing Peace to Afghanistan, signed on February 29, 2020, [https://www.state.gov/agreement-for-bringing-peace-to-afghanistan/](https://www.state.gov/agreement-for-bringing-peace-to-afghanistan/). The third is a joint statement agreed by Special Envoys and Special Representatives of the European Union, France, Germany, Italy, Norway, the United Kingdom, the United Nations and the United States of America on the occasion of the signing of the U.S.-Taliban Agreement on February 29 in Qatar, and issued on March 9, 2020, [https://www.state.gov/joint-statement-on-the-signing-of-the-u-s-taliban-agreement-2/](https://www.state.gov/joint-statement-on-the-signing-of-the-u-s-taliban-agreement-2/).


2 Texts taken from the drafts provide on the White House webpage.

3 SIGAR, *Quarterly Report to Congress*, April 30, 2020, pp. 4-6, 61.


10 Department of Defense, “Casualty Status as of 10 a.m. EDT April 27, 2020,” April 27, 2020, [https://www.defense.gov/casualty.pdf](https://www.defense.gov/casualty.pdf)

11 OSD Comptroller, “Defense Budget Overview FY2021,” pp. 6.3-6.4; “Justification for FY 2021 Overseas Contingency Operations (OCO) Afghanistan Security Forces Fund,” February 2020, p. 5. The FY2019 data are not directly comparable with the FY2020 and FY2021 data. The FY2019 data includes major Baseline Expenditures which were included in the Afghan OCO costs to bypass the budget caps.


20 U.S. official often use these figures in background briefings. In fact, they seem to be nominal figures for forces that are on PCS deployments, and do not reflect substantial additional military manpower and CIA personnel.

21 U.S. officials often use these figures in background briefings. In fact, they seem to be nominal figures for forces that are on PCS deployments, and do not reflect substantial additional military manpower and CIA personnel.


27 Many data are Afghan Government, UN, U.S. government, and NGO estimates without systematic collection of the necessary information that do not describe the estimation method, exact definition of the data, sampling method or source, and they do not provide any estimate of uncertainty or regression analysis to establish the validity of the data. Many estimates are contradictory and or based on dated sources. For a more realistic official picture of the current social and economic trends in Afghanistan, see SIGAR, *Quarterly Report to Congress*, April 30, 2020, pp. 123-149.


36 See the Asian Foundation series of polls entitled a *Survey of the Afghan People*, https://asiafoundation.org/where-we-work/afghanistan/survey/.


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41 See FRED, Youth Unemployment Rate for the Islamic Republic of Afghanistan, https://fred.stlouisfed.org/series/SLUEM1524ZSAFG. The estimates are labeled as based on World Bank data.
42 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 66, 77, 83.
44 SIGAR, Quarterly Report to Congress, April 30, 2020, p. 76.
45 SIGAR, Quarterly Report to Congress, April 30, 2020, p. 62.
46 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 79-82, 87-88.
47 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 66, 76-77.
48 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 66, 77, 83
52 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 66.
54 GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country, and through 2000, the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States). From 2001, these countries include the Euro area, Japan, the United Kingdom, and the United States. See World Bank, “Afghanistan GNI Per Capita 2009-2020,” https://www.macrotrends.net/countries/AFG/afghanistan/gni-per-capita.
56 SIGAR, Quarterly Report to Congress, April 30, 2020, pp. 131-132.
Fiscal-Challenges-and-Implications-for-a-Post-Settlement-Afghanistan. The order of the chosen quotes has been changed to provide additional clarity in a short summary. Italics added by the author.


62 SIGAR, Quarterly Report to Congress, April 30, 2020, p. 132.

63 SIGAR, Quarterly Report to Congress, April 30, 2020, p. 132.

64 SIGAR, Quarterly Report to Congress, April 30, 2020, p. 123.