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MILES TO GO IN AFGHANISTAN

The Berlin Donor Conference was successful, but illustrates that much remains to be done

At the recent donor conference for Afghanistan, the international community adequately stepped up to the challenge of funding Afghanistan's reconstruction needs, partially fulfilling an ambitious funding request. This important display of support was in response to a reconstruction framework and seven-year plan established by the government of Afghanistan. At the conference, held from March 31 to April 1, 2004 in Berlin, interim president Hamid Karzai requested \$27.6 billion over the next seven years to cover the costs of essential reconstruction.

Donors pledged a total of \$8.2 billion for the first three fiscal years. This did not meet the Afghan government's request that \$12 billion of the \$27.6 billion cover the next three years, of which the first year budget (2004-2005) totals \$4.4 billion. Grant and loan pledges for the first fiscal year actually exceeded demand, amounting to \$4.5 billion. The Afghan government did not reach its goal of \$27.6 billion in part because of aid limitations within donor countries. For example, the United States, the lead donor, can only provide assistance on an annual basis, upon the approval of Congress. It is possible that with continued commitment, Afghanistan will reach its target funding goals. President Karzai left Berlin "a very satisfied man."

The overwhelming response from the donor community signifies a dramatic improvement over the Tokyo donor conference of 2002, at which the Afghan government requested \$10 billion and received less than half of that in pledges. Strong backing by the World Bank, the Asian Development Bank, and the United Nations, which in large part carried out the funding assessment on which the government's request was based, contributed to the international community's receptivity to the plan. Notably, the U.S. announced in the days preceding the conference that it would increase its original \$1.2 billion pledge to \$2.2 billion.

The international community's substantially increased commitment can perhaps be attributed to increased donor confidence in Karzai's ability to lead the country, the enlarged capacity of the Afghan ministries to handle large flows of money, and the adoption of a new, progressive constitution. As much as these factors influenced the international community, however, so too has the threat that Afghanistan will become a failed state producing terrorists and narcotics. Donors may also have been swayed by an idea that the Afghan government itself has been actively promoting: among all of the reconstruction efforts underway around the world, Afghanistan has the potential to be the most visible success in the shortest amount of time. The Afghan government has repeatedly emphasized that the \$27.6 billion in aid would be the springboard for Afghans to

Berlin Donor Conference 2004 Donor List

Aga Khan	Japan
Asian Development Bank	Republic of Korea
Australia	Luxembourg
Austria*	Netherlands
Belgium	New Zealand*
Canada	Norway
China*	Pakistan
Denmark	Poland*
European Community	Portugal*
Finland	Saudi Arabia
France	Spain
Germany	Sweden
Greece*	Switzerland
India	Turkey
Iran	United Kingdom
Ireland	United States
Islamic Development Bank	World Bank
Italy	*indicates new donor

rebuild their own country. Indeed, Afghan officials have stated that if future international commitment is maintained at the level of that of the Berlin donor conference, in ten years Afghanistan will no longer be a burden on the international community.

Modest Aims

Despite this, even the most ambitious hopes for Afghanistan are modest. The goal laid out by the Afghan government is to become another low-income country like those of its neighbors. Finance Minister Ashraf Ghani stated at Berlin that the priority of the government was to “move from abject poverty to poverty with dignity—at least a dollar a day.” This would be an improvement for more than four million Afghans who live on fifty cents per day. Emphasizing the self-reliance of the Afghan people, he said, “We’re not asking for the Mercedes-Benz of development, we’re asking for the basic bicycle of development.”

Sums spent by the international community in Afghanistan are dwarfed by those spent in Iraq. Furthermore, per capita spending in other post-conflict countries (i.e. East Timor and Kosovo) far exceed the money spent in Afghanistan.

Funding Channels

Early in the reconstruction process, money was channeled through the United Nations and through non-governmental organizations (NGOs) instead of through the nascent government, which lacked the capacity to manage large sums of money at the time. This has tended to undermine the authority of an already weak central government. Over the past two years, ministerial capacity has dramatically improved, and Karzai has renewed his call for funds to be channeled through the government. Most ministries, though, have not built the capacity to implement reconstruction projects, but instead have assumed a managerial position, contracting projects to NGOs and private companies.

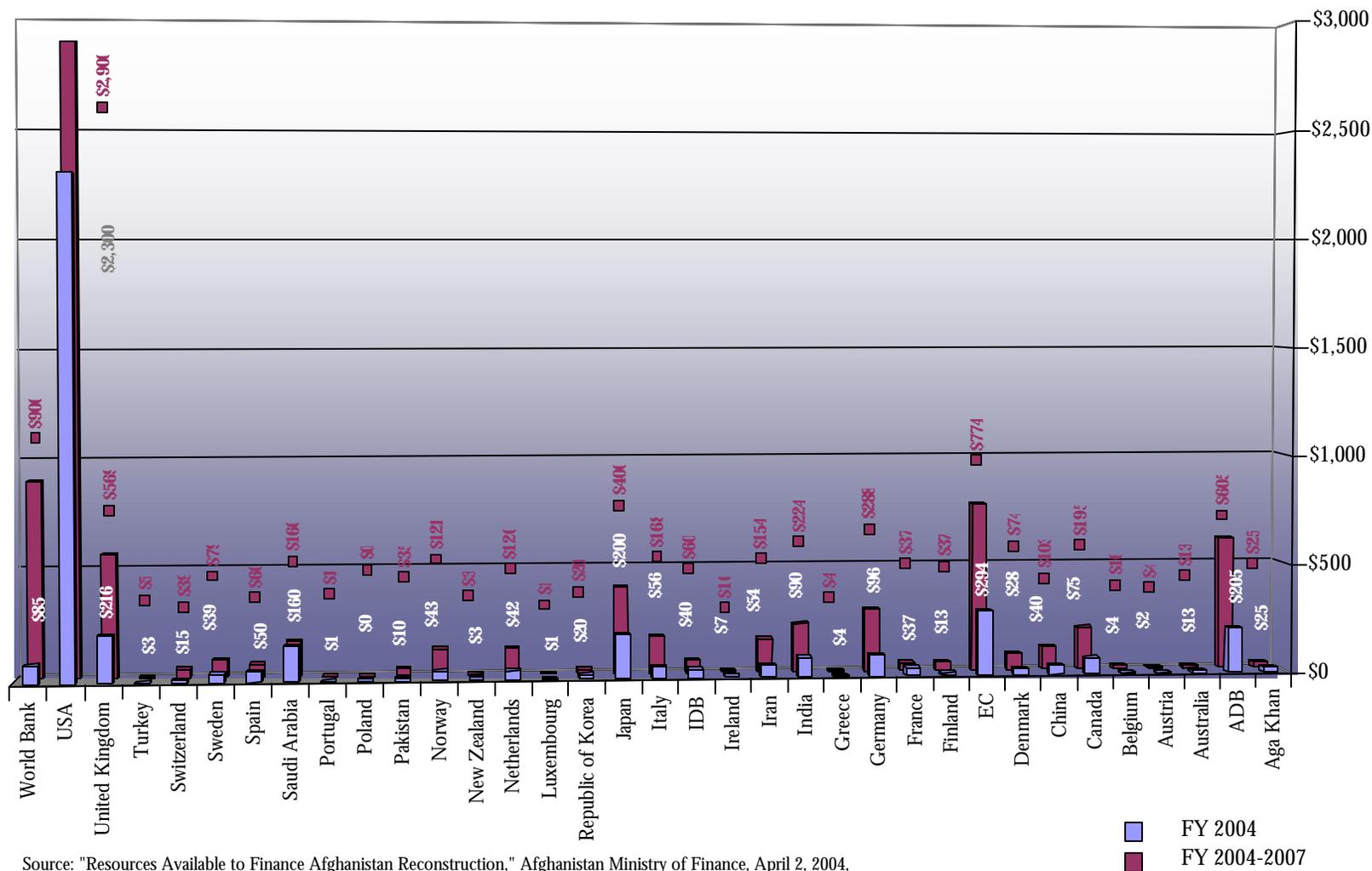
The Afghanistan Reconstruction Trust Fund (ARTF), established in May 2002 and managed by the Asian Development Bank, the World Bank, the Islamic Development Bank and the United Nations Development Program, has provided a way to coordinate donor funding with priorities of the Afghan government. Donations to the fund cannot be earmarked for a particular project, but donors can identify a preference (though non-binding) of a component or sector for which their ARTF funding should be used. This helps ensure that the Afghan government is able to direct funds toward projects that it identifies as priorities during the reconstruction process. This manner of directing international funds furthers the Afghan government’s initiative to take charge of the country’s reconstruction. Following the Berlin conference, donors are meeting in Kabul to direct promised funds either toward specific projects requested by the government, to the ARTF, or to the Law and Order Trust Fund (LOTF).

Priorities

The priorities laid out by the Afghan government at the Berlin conference focus broadly on establishing free and fair elections, building institutional capacity, fiscal management reforms, development of the private sector, the development of livelihoods and the provision of education, judicial reform, gender equality, DDR, security and narcotics. Of these, the most pressing issues hindering reconstruction efforts are insecurity and the resurgence of poppy.

The international community has not accorded poppy production, which now exceeds pre-Taliban levels, the attention that it deserves. The United Kingdom is leading the Coalition’s counternarcotics efforts, but it does not have the resources or human capital to prevent further growth, let alone reduce production. On April 1, 2004, Afghanistan and its neighbors (China, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan) signed a cooperative agreement to combat the trafficking of narcotics through measures such as increased border security, intelligence sharing, cross-border operations, and crop destruction.

2004 Berlin Donor Conference Pledges (Grants and Loans; US \$Millions)



Source: "Resources Available to Finance Afghanistan Reconstruction," Afghanistan Ministry of Finance, April 2, 2004, <<http://www.mof.gov.af/Pledges.xls>>.

Money Does Not Equal Security

Money is not a substitute for a strategic security policy. Increased funding pledges, alone, will not combat the structural problems of Afghanistan's reconstruction effort. In particular, donors at Berlin did not adequately address the two overwhelming challenges of warlord factionalism and drugs. A long-term, multi-track strategy to transform the economic structure—to comprise job training and creation, the development of the private sector, and increased access to trade networks—is needed to combat poppy production. But this will be a long and uphill battle, as the poppy crop is far more lucrative than any potential replacement. Alarming, the \$2.3 billion in profits gained from the illegal drug trade in 2003 amounted to roughly half of this year's donor commitment for Afghanistan.

Furthermore, the lack of consolidated political power reinforces factionalism and warlords – an obstacle not adequately addressed in either the government's strategic framework or donors' renewed commitments. By so heavily emphasizing the need for private sector development, the government downplays the role of politics in building a viable and competent state. Regional power bases are not currently capable of providing a secure environment. Insecurity in Afghanistan is largely a political issue; thus, achieving security cannot overlook any political dimensions.

Combating the warlord problem will require “sticks” and “carrots”—increased police and security force presence in the provinces as well as the provision of basic services such as health, water and education that will increase the visibility, legitimacy and credibility of the central government among the Afghan people. This, like the problem of combating narcotics production, will require long-term, sustained international commitment.

The international community does not pretend it will, or even could, blanket the country with peacekeeping forces as it did in Kosovo and Bosnia, for example, because of the sheer size of the country. Still, the “light footprint” model—of which the Provincial Reconstruction Teams (PRTs) run by the NATO International Security Assistance Force and the U.S. coalition are an example—have not shown themselves able to adequately cope with security concerns throughout the country. At this point, NATO has approved plans to expand peacekeeping operations to five northern towns; however, no new troops have been committed. Increased troop commitment is absolutely necessary to provide the security needed for successful reconstruction. Security must be provided in the near term in order to achieve the relatively modest goals that the Afghan government has outlined in the longer term.

Moving Forward

The Berlin conference successfully raised more money than requested for the next fiscal year, and raised a significant amount toward the next three years. Yet, while money is crucial to the reconstruction effort, security is the necessary precondition for any reconstruction efforts and for sustainable development in the longer term. Insecurity, resurgent Taliban forces, warlords, and flourishing poppy production all are undermining the central government's authority. Working in tandem with the Afghan government, the international community must capitalize on the energy generated at the Berlin conference and transform it into a driving force for meaningful, strategic change. This will require more than just financial pledges and rhetorical commitments. It will require immediate, meaningful efforts to enhance security and public safety throughout Afghanistan, a long-term vision, and staying power.

“The Road Ahead: Issues for Consideration at the Berlin Donor Conference for Afghanistan,” is available online at http://csis.org/isp/pcr/0403_AfghanistanReport.pdf.

