

AID AND CONFLICT IN AFGHANISTAN

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AID AND CONFLICT IN AFGHANISTAN

EXECUTIVE SUMMARY AND RECOMMENDATIONS

After a decade of major security, development and humanitarian assistance, the international community has failed to achieve a politically stable and economically viable Afghanistan. Despite billions of dollars in aid, state institutions remain fragile and unable to provide good governance, deliver basic services to the majority of the population or guarantee human security. As the insurgency spreads to areas regarded as relatively safe till now, and policymakers in Washington and other Western capitals seek a way out of an unpopular war, the international community still lacks a coherent policy to strengthen the state ahead of the withdrawal of most foreign forces by December 2014. The impact of international assistance will remain limited unless donors, particularly the largest, the U.S., stop subordinating programming to counter-insurgency objectives, devise better mechanisms to monitor implementation, adequately address corruption and wastage of aid funds, and ensure that recipient communities identify needs and shape assistance policies.

As early as 2002, the U.S. established Provincial Reconstruction Teams (PRTs) that gave the military a lead role in reconstruction assistance in insecure areas and somewhat expanded civilian presence but without setting any standards for where and when they should shift from military to civilian lead and when they should phase out entirely. The 2009 U.S. troop surge, aimed at urgently countering an expanding insurgency, was accompanied by a similar increase in U.S. civilian personnel – attempting to deliver quick results in the same areas as the military surge, but without rigorous monitoring and accountability. In their haste to demonstrate progress, donors have pegged much aid to short-term military objectives and timeframes. As the draw-down begins, donor funding and civilian personnel presence, mirroring the military's withdrawal schedule, may rapidly decline, undermining oversight and the sustainability of whatever reconstruction and development achievements there have been.

NATO allies have set a timetable for gradually transferring authority to the Afghan government and plan to hand over full responsibility for security by the end of 2014. Transition officially began in July 2011 in several areas, but, for the most part, only in parts of the country where

the insurgency has traditionally had but nominal influence. Yet, the Afghan National Army (ANA) and Afghan National Police (ANP), despite receiving more than half of total international aid – about \$29 billion between 2002 and 2010 – have thus far proved unable to enforce the law, counter the insurgency or even secure the seven regions identified for full Afghan control by mid-year. Part of that failure goes back to ignoring the rule of law sector at the outset; more recent efforts have been undercut by high levels of impunity.

There is no possibility that any amount of international assistance to the Afghan National Security Forces (ANSF) will stabilise the country in the next three years unless there are significant changes in international strategies, priorities and programs. Nor will the Afghan state be in a position by 2015 to provide basic services to its citizens, further undermining domestic stability. Moreover, a rush to the exit and ill-conceived plans for reconciliation with the insurgency by the U.S. and its allies could threaten such gains as have been achieved in education, health and women's rights since the Taliban's ouster.

The amount of international aid disbursed since 2001 – \$57 billion against \$90 billion pledged – is a fraction of what has been spent on the war effort. More importantly, it has largely failed to fulfil the international community's pledges to rebuild Afghanistan. Poor planning and oversight have affected projects' effectiveness and sustainability, with local authorities lacking the means to keep projects running, layers of subcontractors reducing the amounts that reach the ground and aid delivery further undermined by corruption in Kabul and bribes paid to insurgent groups to ensure security for development projects.

Sustainability is virtually impossible since donors have largely bypassed Afghan state institutions, for years channelling only 20 per cent of development aid through the government. At the Kabul conference in July 2010, they committed to raise this to 50 per cent, in a bid to enhance Afghan ownership over aid. Some 80 per cent of these funds are to be dedicated to the state's development programs. While this could contribute to growing government capacity in the long term, the overall neglect of state institutions by Kabul and its international partners alike has limited

the government's ability to raise revenues to cover operational costs or finance development expenditures in the absence of substantial international funding.

Under a heavily centralised political and public financial system, created under the international lead, Kabul has handled all development expenditures directly, without allocating sufficient funds to the provinces. While acknowledging the need for provincial authorities to contribute to the annual national budget planning, efforts to enhance their role in determining budget allocations have been slow. If greater government control over development aid is to increase the state's capacity to meet public needs and development objectives, President Hamid Karzai's government must take tangible steps to improve the flow of funds from Kabul to the provincial and district levels.

Equally important, the central government should devolve greater fiscal and political authority to the provinces, particularly through provincial development plans, to enable local authorities to implement development projects effectively and thus reduce public frustration and resentment against the government and its international partners. Only the donor-financed National Solidarity Program has managed to reach down to the district level to generate community involvement in program decisions through local development councils. Sustainability depends now on maintaining donor funding and establishing clear plans for shifting to government financing over the longer term.

As more and more districts come under Taliban control, despite U.S. claims of substantial progress, and the insurgency spreads to areas regarded until recently as relatively secure, displacement and humanitarian needs are also rising. The U.S.-led counter-insurgency doctrine that aid should consolidate military gains has been at best unsuccessful, if not counter-productive. Quick impact stabilisation projects, whether civilian or military-led, in areas retaken from the Taliban have failed to enhance public trust in government. The blurring of lines between needs-based assistance and the war effort has also challenged the ability of non-governmental organisations (NGOs) to maintain their neutrality and independence and to operate in areas outside coalition and government forces' control. As security deteriorates further, entire communities could be denied access to humanitarian assistance and basic services.

The donor community should ensure that humanitarian, reconstruction and development assistance prioritises Afghan needs rather than short-term military objectives, an approach that is more likely to win hearts and minds in a population exhausted by conflict. But if channelling more development funds through the government is to build state capacity, the international community will have to address the problems of an overly centralised, corrupt and inefficient administrative system. This will also require donors to put their own financial houses in order and adopt a more

coherent, inclusive approach to engaging with the Afghan state that flags concerns about government accountability and protection of fundamental rights. After almost a decade of too much wasted aid and too many unmet expectations, it is time that donors acknowledge the convergence between effective aid delivery, good governance and stabilisation.

Time is running out before the international community transfers control to Kabul by the end of 2014, and many key objectives are unlikely to be achieved by then. Afghanistan will undoubtedly need continued political, economic and technical assistance to ensure that it does not unravel. Donors cannot delay devising a new, long-term development and humanitarian partnership with Afghanistan that goes beyond a narrow arrangement with the Karzai administration. They should indeed channel more aid and transfer more authority to the government, but if they do so without building local capacity and ownership over development, this strategy will amount to a quick handover on the way to the exit, rather than lay the foundations for a viable state.

RECOMMENDATIONS

To the International Community, especially the U.S. and other NATO allies and the European Union:

1. Delink non-military assistance from counter-insurgency targets, including by devising mandates and assessing requirements of civilian assistance independently of troop deployment levels.
2. Increase and broaden engagement with the Afghan state beyond Kabul and the Karzai administration to include elected provincial councils and provincial development committees in identifying funding needs, determining funding priorities and monitoring implementation.
3. Improve aid delivery by:
 - a) prioritising on-budget assistance through the Afghanistan Reconstruction Trust Fund (ARTF), other multilateral trust funds and ministries and committing to this type of aid beyond 2014; but conditioning the release of such funds on the government meeting clearly defined benchmarks and withholding them when commitments are not fulfilled;
 - b) limiting the use of private foreign contractors and discontinuing their role for non-infrastructure construction programs, working instead with Afghan and international NGOs in coordination with relevant line departments;
 - c) working closely with provincial development committees and elected provincial councils to formulate

- achievable development plans that reflect province needs and developing the elected provincial council's capacity to monitor the implementation of provincial development plans through regular training and provision of resources; and
- d) urging the central government to devolve sufficient funds to the provinces to meet the requirements of provincial development plans.
4. Reduce military involvement in humanitarian, development and reconstruction assistance and, while it continues, improve coordination between military and civilian actors by:
- a) harmonising Provincial Reconstruction Teams' mandates, funding levels and coordination with local Afghan authorities and establishing clear standards for transitioning from military to civilian-led PRTs and then to normal civilian run development structures;
- b) limiting and ultimately eliminating the role of donor defence ministries/departments in non-military assistance;
- c) ensuring that military resources and personnel are not deployed to provide humanitarian aid unless required by civilian authorities, notably the Afghanistan National Disaster Management Authority, and in accordance with the Guidelines for Interaction and Coordination of Humanitarian Actors and Military Actors in Afghanistan; and
- d) shifting away from quick impact military or civilian stabilisation programs, instead supporting programs such as the Afghan government's National Solidarity Program (NSP) that have proved more effective in building state-citizen relations even in more volatile regions.
5. Work closely with the Afghan government in responding to calls for greater transparency in aid expenditure by:
- a) communicating data on funding status and programs regularly to the Afghan finance ministry's aid management directorate;
- b) developing improved vetting mechanisms for contractors that includes consultation with the relevant local/national authorities, and in turn requiring contractors and grantees to report to the relevant donors any indications or allegations of fraud by Afghan institutions receiving donor funds; and
- c) promoting Afghan parliamentary oversight of the expenditure of donor funds and development programming.
6. Limit the misuse of aid, including by warlords, criminals and corrupt officials by:
- a) vetting personnel in companies bidding for security and development contracts thoroughly and terminating any contracts to private security companies run by former warlords or with criminal links; and
- b) urging the central government to properly investigate allegations of fraud in commercial institutions, such as the Kabul Bank.
7. Build the Afghan state's administrative and fiscal autonomy by:
- a) ending the practice of creating separate units within ministries, staffed with international advisers, to implement projects, instead providing line ministries with the requisite training and resource support; and
- b) investing in development of the energy, industrial and agricultural sectors, through such funding sources as the Asian Development Bank-managed infrastructure fund, to reduce Afghan dependence on external sources of revenue.
8. Prioritise rule of law programming as the centre of the counter-insurgency strategy by focusing on improving the quality, professionalism and retention rates of the Afghan National Army (ANA) and Police (ANP); supporting judicial reform; and ending support for local militias.
9. Commit to principled aid by holding the government accountable to the international conventions it has signed, especially regarding the rights of women and minorities, including by withholding funds if these obligations are flouted; and protect women's and minorities' rights by ensuring that some sectors remain outside government control even as the Afghan state assumes more responsibility over aid.
- To the Government of Afghanistan:**
10. Enhance transparency of aid expenditure by:
- a) engaging with parliament on development aid allocation and program implementation; and
- b) providing timely public information on funding status and development programming through the finance ministry's Development Assistance Database (DAD), the Donor Financial Review (DFR) and the Development Cooperation Report (DCR).
11. Support provincial development and local government capacity building by:
- a) devolving authority to the provinces to formulate provincial budgets from locally generated revenue, while continuing to disburse development funds to provinces according to need;

- b) amending the 2007 Provincial Council Law to better define and enhance the provincial councils' mandate, including guaranteeing political and fiscal autonomy and institutionalising their role in overseeing the implementation of provincial development plans; and
 - c) ensuring that provincial line departments and local authorities, including the provincial development committees and the elected provincial councils, have adequate resources to implement and monitor the provincial development plans.
12. Reduce aid dependency and generate revenue by investing in large-scale infrastructure development, particularly in the energy and agricultural sectors, and prioritise building tax and customs duty collection capacity.

Kabul/Brussels, 4 August 2011

AID AND CONFLICT IN AFGHANISTAN

I. INTRODUCTION

Foreign aid has been central to shaping the post-2001 Afghan state.¹ The international community has pledged \$90 billion for Afghanistan's reconstruction since the Taliban's ouster in 2001;² official development assistance accounts for almost three quarters of the country's GDP.³ While the government has enhanced domestic revenue capacity, it remains deeply dependent on international funding, without which it would be unable to cover operating costs or finance development projects.⁴ But the trust deficit between Kabul and its international backers – and between both and the Afghan people – is deepening.

International efforts have had some positive impact on state-building and development. Afghanistan has an elected, recognised government and parliament and a constitution

that, while in need of major reform, guarantees equal rights to all citizens, including women and minorities, a vast improvement on the Taliban's political order.⁵ Access to education has improved, with 6.2 million children attending school, a figure unmatched in Afghanistan's history.⁶ Child immunisation has increased considerably, and 85 per cent of all Afghans now have access to some form of health-care, compared to 9 per cent in 2002.⁷ Women occupy 28 per cent of seats in parliament, more than in neighbouring Pakistan or even the U.S., UK or France.⁸

Yet, aid has largely failed to entrench effective and accountable government and the sustainable provision of basic services or achieve the broader policy objectives of internal and regional stability.⁹ Factors responsible for this failure include the unwillingness of the U.S. and its international allies to address the shortcomings of an overly centralised political system and the influx of billions of dollars in funds that have woven together corrupt officials with criminals, abusive commanders and insurgents. Moreover, donors have often failed to honour their pledges: only \$57 billion of the \$90 billion promised since 2001 had actually been disbursed as of 2010.¹⁰ A consid-

¹ For earlier analysis of the international community's role in rebuilding Afghanistan, see Crisis Group Asia Reports, N°26, *Afghanistan and Central Asia: Priorities for Reconstruction and Development*, 27 November 2001; N°107, *Rebuilding the Afghan State: The European Union's Role*, 30 November 2005; N°123, *Countering Afghanistan's Insurgency: No Quick Fixes*, 2 November 2006; N°138, *Reforming Afghanistan's Police*, 30 August 2007; N°145, *Afghanistan: The Need for International Resolve*, 6 February 2008; N°171, *Afghanistan's Election Challenges*, 24 June 2009; N°175, *Afghanistan: What Now for Refugees?*, 31 August 2009; N°190, *A Force in Fragments: Reconstituting the Afghan National Army*, 12 May 2010; N°195, *Reforming Afghanistan's Broken Judiciary*, 17 November 2010; and N°207, *The Insurgency in Afghanistan's Heartland*, 27 June 2011. See also Crisis Group Asia Briefings N°13, *Securing Afghanistan: The Need for More International Action*, 15 March 2002; N°59, *Afghanistan's Endangered Compact*, 29 January 2007; N°89, *Policing in Afghanistan: Still Searching for a Strategy*, 18 December 2008; and N°115, *Afghanistan: Exit vs Engagement*, 28 November 2010.

² This figure represents pledges made for the period between 2002 and 2013, as recorded by the Afghan finance ministry; \$69 billion were committed between 2002 and 2011 and \$57 billion disbursed between 2002 and 2010. See "Development Cooperation Report", finance ministry, 2010, p. 18. For detail, see Appendix C below.

³ *Ibid.*, p. 16.

⁴ Since 2002, Afghanistan's development expenditure has been solely financed by aid, which has also covered on average 45 per cent of its operating budget. *Ibid.*, p. 16.

⁵ For analysis on the Afghan constitution, see Crisis Group Asia Reports N°56, *Afghanistan's Flawed Constitutional Process*, 12 June 2003; and N°45, *Afghanistan: Judicial Reform and Transitional Justice*, 28 January 2003.

⁶ See "Education in Afghanistan", World Bank, www.worldbank.org.

⁷ DTP3 (diphtheria, pertussis and tetanus) immunisation among one-year olds has increased from about 30 per cent to 80 per cent from 2000 to 2010. See "Afghanistan Health Profile", World Health Organisation, 13 August 2010; also country profile, U.S. Agency for International Development (USAID), at www.usaid.gov/locations/asia/countries/afghanistan/.

⁸ According to UN statistics, the percentage of seats in single or lower chamber legislatures occupied by women in 2010 was 22 per cent in Pakistan and the UK and 19 per cent in France. The total percentage of women in the U.S. Congress in 2010 was 16.8 per cent. See <http://unstats.un.org/unsd/demographic/products/indwm/tab6a.htm>; also Jennifer E. Manning, Colleen J. Shogan and Navarro Smelcer, "Women in the United States Congress", Congressional Research Service (CRS), 18 March 2011.

⁹ See Crisis Group Asia Reports, *Reforming Afghanistan's Broken Judiciary*; *A Force in Fragments*; *Reforming Afghanistan's Police*; and *Countering Afghanistan's Insurgency*, all op. cit.

¹⁰ See "Development Cooperation Report", op. cit., p. 23. The U.S. pledged \$56 billion in reconstruction aid from 2002 to

erable portion of this has gone to waste because of poor programming, evaluation and oversight, corruption and strategic disconnect.

To ensure that Afghanistan ceases to harbour transnational terrorist organisations and can effectively curb a reinvigorated insurgency, the international community has devoted much of its resources and programming to short-term counter-insurgency goals. In doing so, it has failed to adequately support state institutions such as parliament and the judiciary, that could provide a check on the power of the executive, identify citizens' needs and guarantee the rule of law. Ensuring that these institutions are functioning and sustainable is vital for Afghanistan's survival after 2014.

More than half of total international assistance has been invested in the security sector¹¹ – going to the Afghan National Security Forces (ANSF). The money has, however, failed to achieve the desired results; the Afghan National Army (ANA) and the Afghan National Police (ANP) are still largely incapable of countering the insurgency, ensuring internal stability and enforcing the government's writ. The ANA remains a fragmented force unable to effectively combat the insurgency, while the ANP is unable to tackle organised crime, enforce the law and protect citizens. Both institutions are under-developed, under-trained and face crippling attrition rates.¹² Although funding for police training has increased since 2007-2008, there have been few serious efforts to build a functioning justice system, which remains a major source of public grievance, easily exploited by the Taliban.¹³

2013, making it by far the largest foreign donor. Additional U.S. appropriations in FY2010 and FY2011 enabled a further increase to committed and disbursed funds. See "Afghanistan: Actions Needed to Improve Accountability of U.S. Assistance to Afghanistan Government", U.S. Government Accountability Office (GAO), July 2011, p. 3. The European Commission, along with European Union (EU) member states, committed around \$8 billion from 2002 to 2010. "Fostering Stability and Security in Afghanistan: The EU Contribution", *EU Insight*, September 2010, p. 1.

¹¹ Through June 2011, the portion of U.S. reconstruction aid going to security was 56.4 per cent, with more than half of all disbursed funds directly supporting the ANSF, according to the July 2011 report of the Special Inspector General for Afghanistan Reconstruction (SIGAR), http://www.sigar.mil/pdf/quarterlyreports/Jul2011/LoresPDF/07Q2011SIGAR_lores.pdf.

¹² For extensive analysis on the ANA and ANP, see Crisis Group Reports, *A Force in Fragments*; and *Reforming Afghanistan's Police*; and Crisis Group Briefing, *Policing in Afghanistan*, all op. cit.

¹³ See Crisis Group Reports, *Reforming Afghanistan's Broken Judiciary*; *Afghanistan's Flawed Constitutional Process*; and *Countering Afghanistan's Insurgency*, all op. cit.; also Crisis Group Asia Report N°45, *Afghanistan: Judicial Reform and Transitional Justice*, 28 January 2003.

Deeply flawed presidential and parliamentary elections in 2009 and 2010 respectively have isolated President Karzai politically, making him even more dependent on patronage networks within and outside the capital. With the international community basing its exit strategy on the transfer of security responsibilities to the ANSF by the end of 2014, he is attempting to buy peace on the cheap by doing deals with the Taliban. In the absence of a sustainable and widely accepted peace settlement, such deals with the insurgents would likely reverse whatever improvements internationally funded projects and programs have brought to people's lives.

The U.S. counter-insurgency strategy, and its exit plans, are based on intensifying attacks on the Taliban, luring "reconcilable" insurgents to the government's side, expanding access to basic services and strengthening the capacity of the ANSF to keep the peace after the vast majority of foreign troops depart. The strategy has yet to show much progress, and it is unlikely that these goals will be achieved by 2014. Insurgent attacks have risen steadily, with the UN and international NGOs deeming more and more districts unsafe for travel.¹⁴ Humanitarian needs are also sharply rising with the spread of insurgent violence, including in the relatively secure areas transferred to Afghan authority in July 2011.¹⁵

Deteriorating security conditions are testing public confidence in Kabul's ability to manage the transition and are also constraining the ability of the government and international aid agencies to deliver emergency assistance and other services. Nevertheless, provided robust international political and economic engagement continues well beyond the withdrawal of foreign troops, and with a major shift in strategy, the international community still has a chance to ensure that Afghanistan survives as a viable state after 2014.

This report examines the international community's assistance to Afghanistan, with particular focus on U.S. efforts. It assesses the impact of the U.S.-devised counter-insurgency strategy on Afghans' perceptions of aid and on humanitarian and development aid agencies' ability to achieve results; analyses the extent to which such aid has achieved the primary objectives of stabilisation and winning Afghan hearts and minds; and identifies measures to improve transparency, oversight and effectiveness of aid delivery.

¹⁴ See Crisis Group Report, *The Insurgency in Afghanistan's Heartland*, op. cit.

¹⁵ The first phase of the transition in July 2011 includes Kabul province (except Surobi district), Panjshir and Bamiyan provinces, the western city of Herat, Mehtarlam in Laghman province, Mazar-i-Sharif in Balkh province and Helmand's capital Lashkar Gah.

II. THE AID REGIME IN PERSPECTIVE

A. INTERNATIONAL ASSISTANCE DURING THE ANTI-SOVIET JIHAD

During the anti-Soviet jihad of the 1980s, the Western and Eastern blocs sought to advance their political agendas through not only military but also humanitarian and development assistance. The Soviet intervention in 1979 and subsequent assistance from Moscow and other Warsaw Pact countries were aimed at saving a faltering Marxist government that faced popular discontent and an armed opposition operating out of safe havens in neighbouring Pakistan and backed by countries as diverse as the U.S., Saudi Arabia, China and Iran. To regain control over territory lost to the insurgency, significant Soviet funding went to the security apparatus – army, police and intelligence services – and to the formation of pro-government militias. The state was, however, unable to stem desertions in the military, compelling Soviet forces to increase their presence on the ground.¹⁶ By 1983, 105,000 Soviet soldiers were in the country, while the entire Afghan army consisted of just 50,000 men, with Moscow considering the financing of its own troops part of its official assistance.¹⁷

Soviet aid was also aimed at countering the mujahidin's efforts to degrade the government's capacity to provide basic services. Soviet advisers were appointed to government ministries to build their capacity – and to ensure Soviet control over them.¹⁸ The effort was, however, undermined by official corruption and the mass exodus of civil servants, many of whom took refuge outside the country, as well as by Kabul's limited control beyond the urban centres.

Mujahidin attacks on state infrastructure and Soviet aerial bombings also resulted in large-scale displacements of people, critical food shortages and disruption of electricity and water supplies. With the mujahidin assuming control over most border areas, the government lost a major revenue source in customs duties. Yet Soviet assistance and imports enabled the government to provide civil servants with food allowances and the general population in Kabul with subsidised necessities. Soviet assistance, however, further alienated the state from the public as the PDPA (People's Democratic Party of Afghanistan) government was increasingly seen as Moscow's puppet regime. Moreover,

Moscow's investments in infrastructure and industry were for the most part aimed at serving its own commercial interests. For instance, Soviet demand for natural gas, cement and fertilisers led to greater investment in these sectors, and their export was facilitated by the newly developed railway and road links across the Amu Darya, Afghanistan's border with the Soviet Central Asian republics.

Just as the PDPA government was dependent on external assistance, the Pakistan-backed mujahidin were equally dependent on external sources of military and non-military aid, vital to their war of attrition, particularly from the U.S. and Saudi Arabia. General Zia-ul-Haq's military government, which trained and channelled weapons and finances to the mujahidin, designed an aid regime that explicitly linked humanitarian assistance to the anti-Soviet jihad. The three million Afghan refugees in Pakistan had to register with one of seven Zia-backed Sunni mujahidin parties to receive humanitarian assistance, which was channelled through the Pakistani military.¹⁹ Controlled by mujahidin commanders, the camps established for Afghan refugees, mostly along the Durand Line in Northwest Frontier Province (NWFP)²⁰ and Balochistan, soon turned into militarised bases for radical Islamist factions.²¹

Just as U.S., Saudi and Pakistani strategic objectives determined their armed support to mujahidin groups, non-lethal aid provision was equally driven by the agenda of jihad rather than humanitarian needs.²² Controlling the arms and aid pipelines, mujahidin commanders channelled weapons across the Durand Line, and also humanitarian assistance – mainly food – to areas under their control. Access to aid thus legitimised warlordism and contributed to the country's fragmentation by allowing mujahidin commanders to expand and strengthen patronage networks, and therefore control over the areas they commanded.

NGOs based in Peshawar or Islamabad depended on good relations with these commanders to deliver relief goods within Afghanistan. While some attempted to distance themselves from the politics of the conflict, stressing their neutral humanitarian mandate, others openly supported the anti-Soviet jihad. "But in practice we were all compromised,

¹⁶ See Crisis Group Report, *The Afghan National Army*, op. cit., p. 4.

¹⁷ Peter Marsden, *Afghanistan – Aid, Armies and Empires* (London, 2010), p. 61.

¹⁸ For detailed analysis of the impact of Soviet advisers on Afghanistan, see Artemy Kalinovsky, "The Blind Leading the Blind: Soviet Advisers, Counter-Insurgency and Nation Building in Afghanistan", Cold War International History Project, working paper no. 60, Woodrow Wilson International Center for Scholars, January 2010.

¹⁹ These included Burhanuddin Rabbani's Jamiat-e Islami, Gulbuddin Hekmatyar's Hizb-e Islami and a splinter group of the Hizb, Abd al-Rabb Al-Rasul Sayyaf's Ittehad-e Islami, Mohammad Nabi Mohammadi's Harakat-e Inqelab-e Islami Afghanistan, Sebghatullah Mujaddedi's Jabha-e Nijat-e Milli-yi Islami and Pir Sayed Ahmad Gailani's Mahaz Milli-yi Islami-yi Afghanistan.

²⁰ NWFP was renamed Khyber Pakhtunkhwa in April 2010.

²¹ See Crisis Group Asia Report, *Afghanistan: What Now for Refugees?*, op. cit., p. 4.

²² While Zia's regime supported Sunni radical parties that were critical to his Islamisation campaign at home and seen as less likely to revive Pashtun territorial and nationalist claims, Iran provided arms and financial support to Shia Hazara parties.

at least in the eyes of most Afghans who saw how we accepted the controlling influence of the mujahidin political parties in the camps, how we built alliances with commanders inside Afghanistan to gain access, and how we naively allowed ourselves to be colonised by hiring Afghan staff from one political party or another”, wrote Jonathan Goodhand, then an aid worker involved in cross-border programs.²³

Relief aid often failed to reach those most in need, and NGOs were incapable of ensuring that it did. Eastern Afghanistan, largely under mujahidin control, received the bulk of this assistance. Commanders sold relief goods, and armed groups levied customs duty from aid convoys crossing the Durand Line, to the extent that “some donors were reported to have accepted ‘wastage levels’ of up to 40 per cent on cross-border programs”.²⁴

B. CIVIL WAR AND THE TALIBAN

Following the withdrawal of Soviet forces in 1989, the Soviet Union and the mujahidin’s former backers, particularly Pakistan and the U.S., supported by the UN, sought national reconciliation through a negotiated political settlement between the mujahidin and Kabul’s communist government.²⁵ The externally driven negotiation process between competing warring mujahidin factions continued after the PDPA regime’s collapse in 1992. While Pakistan oversaw the short-lived power-sharing deal that was to spark an all-out civil war,²⁶ the UN launched “Operation Salam” to coordinate humanitarian and development assistance, aimed at promoting refugee return as well as rehabilitation and reconstruction. The explicit assumption underlying this coordinated approach was that aid could contribute to peacebuilding.²⁷ “[S]ince one function of humanitarian aid

and economic reconstruction is to serve as a building block for peace making, the activities of Operation Salam should logically precede rather than follow peace”, wrote its administrator, Prince Sadruddin Aga Khan.²⁸

In the early 1990s, international aid agencies started playing a major role in Afghanistan, extending their mandates to the west and north, as well as to the urban areas. As part of an “Afghanisation” process, UN funding facilitated the creation of many Afghan NGOs. Assistance shifted from relief aid to service provision. Many NGOs identified needs by engaging village or district shuras (councils) instead of relying on mujahidin commanders. With greater direct access to their beneficiaries and the development of coordination mechanisms, NGOs did improve monitoring and evaluation and hence aid management and delivery.²⁹

With the East-West cold war over, however, Western donor attention dwindled, and funding soon became insufficient. For example, aid agencies were able to implement programs in areas such as agriculture, healthcare and demining but lacked the resources to reconstruct infrastructure on a wider scale.³⁰ Moreover, mujahidin infighting, particularly over control of Kabul, destroyed much of the infrastructure built with Soviet support. As the civil war escalated and in the absence of an effective central authority, the aid community saw itself as a ‘surrogate government’ providing basic services and engaging directly with communities at the village level.³¹ Yet, despite established coordination mechanisms, the activities of relief organisations remained fragmented and were undermined by unreliable donor funding, insecurity and the demands of Afghan warlords.

After the Taliban gained control of most of the country by 1996, religious fundamentalism and anti-Western ideology imposed new restrictions on the aid community, even as the population’s needs remained acute. The years of conflict and displacement during the decades of civil war had taken their toll on agriculture, leading to severe food shortages. Internally displaced persons (IDPs) fled to urban centres, and Kabul’s population had swelled, causing it to rely heavily on food distribution by the UN World

²³ Jonathan Goodhand, *Aiding Peace? The Role of NGOs in Armed Conflict* (Boulder, 2006), p. 4.

²⁴ Jonathan Goodhand, “The Role of International Aid in Afghanistan”, in Sultan Barakat (ed.), *Reconstructing War-Torn Societies: Afghanistan* (New York, 2004), p. 43.

²⁵ On 14 April 1988, the Geneva Accords were signed by Pakistan and Afghanistan, with the U.S. and USSR acting as guarantors. The bilateral agreement set the timetable for Soviet troop withdrawal from Afghanistan and sought normalisation of relations between the two countries and Afghan refugee return.

²⁶ On 26 April 1992, the Peshawar Accords marked the beginning of a short-lived power-sharing deal between the Pakistan-backed mujahidin parties to govern the country after the collapse of the Najibullah regime.

²⁷ “Tranquillity zones” – relatively peaceful areas where the local authorities supported the UN presence – were to receive greater UN funding in the hope they would “serve as peaceful models to be emulated in other regions”. See Prince Sadruddin Aga Khan, “‘Operation Salam’: to build a future – humanitarian and economic assistance to Afghanistan”, *UN Chronicle*,

June 1990; and Gilles Dorronsoro, “Les enjeux de l’aide en Afghanistan”, *Cultures & Conflits*, no.11 (1993), p. 102.

²⁸ Khan, op. cit.

²⁹ For instance, the Agency Coordinating Body for Afghan Relief (ACBAR) was created in 1988 and still plays a central role in coordinating various national and international NGOs.

³⁰ See “Afghanistan and the United Nations”, UN News Centre, www.un.org/News/.

³¹ Goodhand, “The Role of International Aid in Afghanistan”, op. cit., p. 44.

Food Programme (WFP), including bakeries that provided bread at subsidised rates.³²

Unable and unwilling to restore an administrative structure responsive to the population's needs, but conscious of the importance of retaining popular support particularly in the Pashtun heartland, the Taliban were fairly tolerant of the aid community, provided organisations did not hire Afghan women or attempt to propagate secular values. Hence, agriculture and healthcare programs, even with women beneficiaries, were often acceptable. Although education programs caused suspicion because they were seen as a potential vehicle of Western propaganda, organisations such as the Swedish Committee were able to fund a large network of clandestine home schools for girls.³³

The rise of the Taliban exacerbated the politicisation of aid, however, with Western donors reluctant to support a repressive regime. Presented in early 1997, the Strategic Framework for Afghanistan was devised to enhance unity of action and purpose among UN agencies and, ideally, the aid community as a whole. Its guiding assumption was that greater coherence between assistance and political strategies could contribute to building peace. In practice, however, the framework faltered, for example by setting unattainable quotas for women's participation. Donor funding also continued to decline. In 1996, the UN received only half the money it had requested to implement its humanitarian program; in 1997 the proportion declined to 42 per cent, and by 1998 to just 34 per cent.³⁴

After the 1998 al-Qaeda attacks on U.S. embassies in East Africa and UN sanctions in 1999 and 2000 against the Taliban regime for its ties with the terrorist network, donor governments placed stricter conditions on assistance to Afghanistan. The aid community was banned, for instance, from undertaking programs that would build government capacity in any way. The bulk of funding was earmarked for humanitarian aid, particularly food.³⁵ The aid community was therefore largely unable to influence political strategies and was subject to donor governments' more restrictive political objectives, as well as to Taliban edicts.

Moreover, the Strategic Framework itself was undermined by its top-down approach that failed to account for the fact aid agencies seldom interacted with a central Taliban authority, and their access and ability to operate in an area largely depended on relations with individual Taliban governors.³⁶ It also grossly exaggerated the leverage that conditions on aid, even the threat of discontinuing aid, could create on the regime's policies. The total volume of aid, for instance, was approximately \$300,000 annually compared to \$2.5 billion in income generated through cross border trade between Pakistan and Afghanistan in 1999.³⁷ Indeed, before the attacks of 11 September 2001, the international aid program was "on the verge of collapse and a humanitarian and political crisis was brewing".³⁸

³² Marsden, op. cit., pp. 89-90.

³³ In 2001, it estimated that 134,000 girls were enrolled in these home schools, almost equal to the number of boys in official schools. Ralph H. Magnus and Eden Naby, *Afghanistan: Mullah, Marx, and the Mujahid* (Cambridge, 2002), p. 207.

³⁴ Ahmed Rashid, *Taliban: The Story of the Afghan Warlords* (London, 2001), p. 108.

³⁵ "Therefore, humanitarian agencies tried to expand the definition of what was 'humanitarian' to realise small-scale reconstruction projects". "Interview with UN Veteran Antonio Donini", Watson Institute for International Studies, 4 March 2004.

³⁶ Marsden, op. cit., p. 91.

³⁷ Goodhand, "The Role of International Aid in Afghanistan", op. cit., p. 46.

³⁸ Ahmed Rashid, *Descent into Chaos: How the war against Islamic extremism is being lost in Pakistan, Afghanistan and Central Asia* (London, 2008), p. 172.

III. THE INFRASTRUCTURE OF AID

A. THE U.S.-LED INTERVENTION AND INTERNATIONAL AID

1. Early years

Donors' response to the urgent needs in Afghanistan was lukewarm after the Taliban's ouster in 2001, although the international community was now free to channel humanitarian aid to the country and help rebuild a war-torn state and economy. Afghanistan received significantly less per capita in aid in the first five years after the U.S. intervention than other post-conflict countries such as Bosnia or Iraq.³⁹

By late December 2001, the UN's updated \$662 million appeal for initial relief work, presented earlier that month, was only half met.⁴⁰ With the Bonn agreement signed⁴¹ and the Afghan Interim Authority in place, donor support increased but still remained far short of what was required. In January 2002, at the Conference on the Reconstruction of Afghanistan in Tokyo, the international community pledged more than \$4.5 billion in aid for the next five years. These pledges later increased: between 2001 and 2003, donors committed to \$9.743 billion, although they disbursed only \$3.719 billion.⁴²

Assistance plans presented in Tokyo, however, failed to reflect Afghanistan's needs or its traditionally decentralised history, since they were produced rapidly, with minimal assessment of the situation on the ground.⁴³ Donors also failed to distinguish between humanitarian, rehabilitation and reconstruction requirements. As a result, by 2006, roughly one-third of funds were directed towards humanitarian assistance rather than reconstruction or development projects that would have helped rebuild and revive a devastated infrastructure and economy and the state's capacity to deliver basic services.⁴⁴

This approach to aid distribution reflected the Bush administration's emphasis on dismantling al-Qaeda over nation-building and meeting the war-torn country's economic and reconstruction needs. Despite being the main donor for reconstruction, U.S. non-military aid was only a fraction of the resources allocated to war.⁴⁵ Moreover, choosing to fight al-Qaeda and the Taliban through local proxies, the U.S.-led coalition relied mostly on warlords and local commanders, who had been marginalised during the Taliban years. With dubious track records and links to the drug trade, these powerbrokers – co-opted to leadership positions at the central, provincial and district levels during the Interim Administration – were able to dominate post-Taliban politics and impede stability, rule of law and the development of strong state institutions.⁴⁶

The U.S.-led, UN-supported "light footprint" approach also left vast tracts of the country outside the central government's control. Provincial Reconstruction Teams (PRT), military-led structures created by the U.S. in late 2002, put the military in the driver's seat for delivering reconstruction assistance in those areas. Aid programs in those areas thus focused more on meeting narrow security objectives than achieving nationwide development goals or building and strengthening state institutions.

The Bonn agreement had envisioned Afghan authorities assuming ownership of international aid. The Afghan Transitional Administration was quick to devise mechanisms enabling it to play a central role in aid allocation and coordination. In April 2002, the transitional authority presented a National Development Framework outlining its priority areas and urged donors to align with them. These centred on four broad pillars: human capital and social protection; physical infrastructure; trade, investment and public administration; and rule of law/security.⁴⁷

A pooled funding mechanism, the Afghanistan Reconstruction Trust Fund (ARTF), was established to cover the administration's recurrent costs and finance its national

³⁹ Per capita aid in Afghanistan was \$292 compared to \$585 in Bosnia and \$1,528 in Iraq. "Donor Financial Review", finance ministry, November 2009, p. 4.

⁴⁰ See "Afghanistan and the United Nations", UN News Centre, www.un.org/News/; and "UN opens meeting in Berlin on Afghanistan recovery effort", UN News Centre, 5 December 2001.

⁴¹ The "Agreement on Provisional Arrangements in Afghanistan Pending the Re-Establishment of Permanent Government Institutions" was signed in Bonn in December 2001.

⁴² "Afghanistan Index: Tracking variables of reconstruction and security in post-Taliban Afghanistan", Brookings Institute, 23 February 2005, p. 8.

⁴³ Sultan Barakat, "Settling the Scene for Afghanistan's Reconstruction", in Barakat (ed.), op. cit., p. 9.

⁴⁴ The Immediate and Transitional Assistance Program for Afghan People 2002 presented by the UN coordination office at

the Tokyo conference fails to make this distinction. See Consolidated Appeal 2002, OCHA, Financial Tracking Service (<http://fts.unocha.org/reports/>); and Alina Rocha Menocal and Sarah Mulley, "Learning from experience: a review of recipient government efforts to manage donor relations and improve the quality of aid", Overseas Development Institute (ODI), working paper 268, May 2006.

⁴⁵ Rhoda Margesson and Johanna Bockman, "Reconstruction Assistance in Afghanistan: Goals, Priorities and Issues for Congress", CRS, 26 February 2003, pp. 4, 30-31.

⁴⁶ Crisis Group Asia Report N°116, *Afghanistan: From Presidential to Parliamentary Elections*, 23 November 2004; also Crisis Group Report, *Countering Afghanistan's Insurgency*, op. cit., p. 2.

⁴⁷ Arne Strand, "Aid Coordination in Afghanistan", Norwegian foreign ministry, 13 December 2002, p. 10.

priority programs. To ensure transparency and promote donor confidence, this trust fund continues to be administered by the World Bank.⁴⁸ Very little aid, however, was initially channelled through the ARTF. In 2002 and 2003, donors committed \$273 million to the fund, only 7 per cent of international aid to the country.⁴⁹ They disbursed only 29 per cent through the government. In 2004, over 50 per cent of total aid was still being spent directly by foreign governments and through private companies.⁵⁰

At the April 2004 Berlin Conference, the Afghan government presented “Securing Afghanistan’s Future”, a program of “investments to lay the foundations for the sustained economic growth needed to support a financially sustainable State” that estimated the country would need \$27.6 billion in external assistance over seven years.⁵¹ The international community increased its commitment to \$8.2 billion over three years.⁵² U.S. non-military assistance also increased significantly, from \$250 million in fiscal year (FY) 2003 to \$720 million in FY 2004 but remained a fraction of the \$14.7 billion and \$14.5 billion invested in the war effort respectively in FYs 2003 and 2004.⁵³

Although three-quarters of U.S. aid was now spent on reconstruction, the bulk was awarded to American contractors. However, insecurity and the absence of robust mechanisms to ensure performance oversight and accountability often led to wastage and ineffectiveness.⁵⁴ Sectoral working groups with other donor countries and relevant Afghan ministries were of varying quality, and there were continuing complaints at the lack of effective coordination.⁵⁵

⁴⁸ The World Bank sits as administrator on the ARTF’s Management Committee along with the Islamic Development Bank, the Asian Development Bank (ADB), the UN Assistance Mission to Afghanistan (UNAMA) and the UN Development Programme (UNDP). The finance ministry is an observer.

⁴⁹ See “Donor Financial Review”, op. cit., p. 42.

⁵⁰ Lorenzo Delesgues and Yama Torabi, “Reconstruction Survey”, Integrity Watch Afghanistan, 2007, p. 22.

⁵¹ “Securing Afghanistan’s Future: Accomplishments and the Strategic Path Forward”, p. 10, at: www.cmi.no/pdf/?file=/afghanistan/doc/SecuringAfghanistansFuture-18-03-04.pdf.

⁵² Berlin Declaration, 1 April 2004, at www.ag-afghanistan.de/berlindeclaration.pdf.

⁵³ “Afghanistan Reconstruction: Despite Some Progress, Deteriorating Security and Other Obstacles Continue to Threaten Achievement of U.S. Goals”, Report to Congressional Committees, GAO, July 2005, pp. 3-4, 11; Amy Belasco, “The Cost of Iraq, Afghanistan and Other Global War on Terror Operations since 9/11”, CRS, 2 September 2010, p. 3.

⁵⁴ For instance, USAID had targeted 286 schools for construction or rehabilitation in 2004. By September, however, 77 had been rehabilitated and only eight constructed. “Afghanistan Reconstruction”, op. cit., pp. 3-4.

⁵⁵ See Crisis Group Report, *Afghanistan: The Need for International Resolve*, op. cit.

The international community’s pledges to assist in reconstruction had raised public expectations and also prompted hundreds of thousands of displaced Afghans to repatriate, thus raising needs.⁵⁶ Unsurprisingly, by the first presidential election, in October 2004, and after almost three years of pledges of international assistance, popular frustration grew, as the shortcomings of the aid regime, including the disparity between the amounts pledged and achievements on the ground, became increasingly clear.⁵⁷

2. Securing Afghanistan

After 2005, U.S. assistance focused increasingly on building Afghanistan’s security forces, particularly after the Afghanistan Security Forces Fund (ASFF) was established that year. Of the \$29.35 billion allocated thus far to developing the Afghan National Security Forces, \$27.8 billion was appropriated after the ASFF was set up. This accounts for more than half of all U.S. reconstruction funding. President Obama has requested an additional \$11.6 billion for the ASFF in FY 2011⁵⁸ and \$13 billion for FY 2012,⁵⁹ which would bring the total investment in the Afghan security forces since 2005 to more than \$52.4 billion.

In 2007, the U.S.- and NATO-led International Security Assistance Force (ISAF) also established a trust fund for donor contributions to fund training and transportation of equipment to the ANSF. Separate from U.S. bilateral funding, it requires about \$2 billion annually.⁶⁰ Substantially funded by the European Commission, the Law and Order Trust Fund for Afghanistan (LOTFA), an international funding pool created in May 2002 and managed by the UN Development Program (UNDP), with a budget of \$1.647 billion, reimburses all police salaries and other police-related functions.⁶¹

⁵⁶ See Crisis Group Report, *Afghanistan: What Now for Refugees?*, op. cit.

⁵⁷ For example, by March 2004, there was no improvement in electricity coverage; only 6 per cent of the population had access to electricity. “Afghanistan Index”, Brookings Institute, op. cit., p. 7. A nationwide survey in November 2006 by D3 Systems and the Afghan Center for Social and Opinion Research found a majority of Afghans dissatisfied with reconstruction. www.worldpublicopinion.org/pipa/articles/brasiapacificra/290.php?nid=&id=&pnt=290&lb=bras.

⁵⁸ “Recurring Problems in Afghan Construction”, op. cit., p. 2.

⁵⁹ Office of the Secretary of Defense, U.S. Department of Defense Budget, Fiscal Year (FY) 2012, Justification for FY 2012 Overseas Contingency Operations Afghanistan Security Forces Fund (ASSF), February 2011.

⁶⁰ Kenneth Katzman, “Afghanistan: Post-Taliban Governance, Security and U.S. Policy”, CRS, 18 February 2011, p. 27.

⁶¹ From 2002 to 2007, LOTFA’s allocation was \$440 million; from 2008-2010, it increased to \$1.206 billion. “Development Cooperation Report 2010”, finance ministry, pp. 29, 102. Between 2002 and 2011, the European Commission was, with a

According to the Afghan finance ministry, more than half of total assistance disbursed since 2001 has been spent on the ANA and ANP.⁶² Yet, this considerable international aid has not translated into significantly better capacity and hence more security for the Afghan citizen, notwithstanding claims by the U.S. military.⁶³ Instead, an emphasis on quantity over quality has expanded numbers but undercut operational effectiveness, professionalism, institutional loyalty, and public confidence. Both army and police remain heavily politicised, suffer crippling attrition rates and are incapable of countering the insurgency or the spread of criminality.⁶⁴

Instead of reforming them, the U.S. has frequently resorted to creating and supporting parallel security forces, with dubious vetting and control mechanisms, multiplying the number of people with guns in a country awash with weapons. These include local militias such as the Afghan Local Police (ALP) in the rural areas and the Interim Security for Critical Infrastructure (ISCI) entity in the city of Marjah after it was taken from Taliban control in February 2010.⁶⁵ Often outnumbering the ANP, these militias risk coming

total disbursement of \$422.72 million, the fund's largest contributor after the U.S. Ibid, p. 100. In FY 2010, the U.S. Defense Department contributed \$149 million, more than doubling its \$68 million in FY 2009. "Afghanistan: Actions Needed", GAO, op. cit., p. 8. For analysis on the ANP and its funding, see Crisis Group Reports, *Reforming Afghanistan's Police*; and *Rebuilding the Afghan State*; and Briefing, *Policing in Afghanistan*, all op. cit.

⁶² Development Cooperation Report, op. cit., p. 23.

⁶³ Chairman of the U.S. Joint Chiefs Admiral Mike Mullen said that if the U.S. maintained high troop levels, it "would have denied the Afghan Security Forces, who have grown in capability, opportunities to further exercise that capability and to lead". Opening statement, U.S. House Armed Services Committee Hearing on Afghanistan Troop Withdrawals, 23 June 2011. General David H. Petraeus, former U.S. military commander in Afghanistan, now CIA director, insists that the ANSF are "increasingly credible", and there have been major gains, with the active participation of Afghan forces, while also admitting that "those gains remain fragile and they remain reversible". Katrin Bennhold, "Afghan war 'fragile' but doable, general says", *The New York Times*, 20 July 2011. The Afghan citizen has little evidence of improved security. In a July 2011 report, UNAMA documented 1,462 civilian deaths in the first six months of 2011, an increase of 15 per cent over the same period in 2010. 80 per cent were attributed to insurgents, up 28 per cent from the same period in 2010. "Afghanistan Mid-Year Report 2011: Protection of Civilians in Armed Conflict", July 2011, pp. 1-6.

⁶⁴ See Crisis Group Reports, *A Force in Fragments*; *Reforming Afghanistan's Police*; and Briefing, *Policing in Afghanistan*, both op. cit.

⁶⁵ The ISCI is a local security force set up by the U.S. Marines to identify Taliban combatants and prevent their return to the area cleared during a major joint NATO/ANA operation in Marjah in February 2010.

under the control of warlords with shifting allegiances.⁶⁶ A former parliamentarian argued: "We should be disengaging from war to state-building, nation-building and development; so why are we rearming militias?"⁶⁷

B. AID AND DOMESTIC OWNERSHIP

1. Determining priorities

The Bonn process was considered complete with the drafting of a new constitution, the 2004 presidential election and the National Assembly polls the next year. The international community subsequently declared an Afghan lead in achieving development objectives. During the 2006 London Conference, donors embarked on a new partnership with Kabul – the Afghanistan Compact – pledging around \$10.5 billion.⁶⁸ The Compact identified the following as key sectors in helping the government reach its millennium development goals:⁶⁹ security; governance, rule of law and human rights; and economic and social development. The Afghan government "commit(ted) itself to realising this shared vision", and the international community "commit(ted) itself to provide resources and support realising that vision".⁷⁰ But amid rising insecurity and reports of rampant corruption, the Compact benchmarks soon proved to be overly ambitious, lacking sequencing and a realistic assessment of implementation costs.⁷¹

At the Paris Conference two years later, the Karzai government presented its Afghanistan National Development Strategy (ANDS) (2008-2013), "an Afghan-owned blueprint for the development of Afghanistan" with a price tag of \$50 billion over five years.⁷² Donor countries reaffirmed and even enhanced their support, with pledges amounting to about \$21 billion, including a two-year U.S. commitment of \$10.2 billion.⁷³

With trust in the Karzai government declining amid rampant corruption, donors also demanded an enhanced

⁶⁶ Crisis Group Asia Briefing N°115, *Afghanistan: Exit vs Engagement*, 28 November 2010, p. 7. See also Saeed Shah, "New militia brings security, and worries, to Marjah, Afghanistan", *McClatchy*, 1 March 2011.

⁶⁷ Crisis Group interview, Kabul, 15 December 2010.

⁶⁸ For more on the Afghanistan Compact, see Crisis Group Report, *Afghanistan: The Need for International Resolve*, op. cit.

⁶⁹ At the 2000 Millennium Summit, nations committed to reducing extreme poverty through eight time-bound, quantified Millennium Development Goals (MDG) to be achieved by 2015. Afghanistan added a ninth MDG: enhancing security.

⁷⁰ Afghanistan Compact, p. 2.

⁷¹ On the Compact's shortcomings, see Crisis Group Report, *Afghanistan: The Need for International Resolve*, op. cit., p. 7.

⁷² "Foreword", Afghanistan National Development Strategy, p. 9.

⁷³ John Ward Anderson, "International donors pledge additional \$21 billion for Afghanistan", *The Washington Post*, 13 June 2008.

coordination role for the UN Assistance Mission to Afghanistan (UNAMA) to ensure greater accountability and effectiveness of aid. Nevertheless, both the London and Paris conferences stressed that more funding be channelled through the government to enhance the state's legitimacy, capacity to meet public needs and nation-building efforts. Yet, the finance ministry estimated in 2010 that some 80 per cent of that assistance by-passed government institutions.⁷⁴

While the government's capacity to collect its own revenue has increased, it nevertheless remains severely limited and unable to cover operational expenses.⁷⁵ At the Kabul Conference in July 2010, donors agreed to channel at least half their development aid through the government's budget by 2012, as part of the transition to greater Afghan authority (the "Kabul process"), while the Afghan government achieved the necessary reforms to strengthen its public financial management systems, reduce corruption, improve budget execution and increase revenue collection.⁷⁶ "We're set on meeting the target by 2012. In fact, we might even get there sooner", said a senior official of the U.S. Agency for International Development (USAID).⁷⁷ The U.S. has indeed more than tripled the planned assistance it channels through the Afghan government, from \$666.5 million to \$2 billion between FYs 2009 and 2010.⁷⁸

Most of this on-budget assistance will go through the multilateral trust fund, the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF), or as bilateral direct assistance channelled through the national core budget systems with monitoring procedures. Almost half the EU's development assistance is channelled through multilateral trust funds.⁷⁹ The European Commission and member

states contribute almost 65 per cent of ARTF funding.⁸⁰ Some 38 per cent of U.S. development aid is channelled through the host government, including approximately 15 per cent through the ARTF and the remainder through the finance ministry; it is then directed by special account to the public health and the communications information and technology ministries.⁸¹ Donors are assessing the financial management capacities of some fourteen additional ministries and government agencies to receive direct assistance.

The Karzai government has demanded that no more than half this assistance be "preferenced" for a specific program. "ARTF is basket funding", said a finance ministry official. "If you want to give the NSP (National Solidarity Program)⁸² \$50, you have to put an extra \$50 in the basket".⁸³ Not all donors, however, appear willing. "Practically no one gives unpreferenced aid anymore. We're not here to write checks to governments simply for them to exist", said a major donor official.⁸⁴ While donors appear to recognise the need to foster Afghan ownership and control over aid as a means to bolster government legitimacy, this is hampered by the increasing trust deficit between the Karzai administration and its international backers.⁸⁵ Indeed, donor governments' constituencies at home are demanding greater transparency and oversight over how taxpayers' money is spent in Afghanistan.

Future international commitments to the ARTF are uncertain, since they depend on approval by the legislatures in donor countries.⁸⁶ A June 2011 report by the U.S. Senate Foreign Relations Committee has recommended a multi-year civilian assistance strategy that would include stringent

⁷⁴ "Development Cooperation Report", op. cit., p. 19.

⁷⁵ Since 2002, aid has on average covered 45 per cent of the central government's operating budget. In 2011, domestic revenue was less than 10 per cent of GDP and aid 71 per cent of GDP. See "Development Cooperation Report", op. cit., pp. 16-17.

⁷⁶ This was discussed at the 2010 London Conference, among other steps aimed at increasing Afghan ownership of the country's security apparatus. See "Afghanistan Leadership, Regional Cooperation, International Partnership", communiqué, Afghanistan, 28 January 2010; and "A Renewed Commitment by the Afghan Government to the Afghan People, A Renewed Commitment by the International Community to Afghanistan", communiqué, Kabul International Conference, 20 July 2010.

⁷⁷ Crisis Group interview, Kabul, 12 February 2011.

⁷⁸ USAID gave \$1.4 billion in assistance through ARTF or directly to ministries in FY 2010 (compared to \$470.7 million in FY 2009); the U.S. Defense Department gave \$576 million in FY 2010 (\$195 million in FY 2009) in support of ANA and ANP through LOTFA or directly to the Afghan defence and interior ministries. "Afghanistan: Actions Needed", GAO, op. cit., p. 7.

⁷⁹ Crisis Group interview, European External Action Service (EEAS) official, Brussels, 1 April 2011.

⁸⁰ "Fostering Stability and Security in Afghanistan: The EU Contribution", *EU Insight*, September 2010, p. 2.

⁸¹ Crisis Group interview, USAID official, Washington DC, 25 March 2011. See also Kenneth Katzman, "Afghanistan: Politics, Elections and Government Performance", CRS, 10 February 2011, p. 19. Other government entities currently receiving on-budget assistance from USAID include the communications and information technology, agriculture, irrigation and livestock, transport and civil aviation ministries, and the Independent Directorate of Local Governance (IDLG).

⁸² NSP is a countrywide program designed by the rural development and rehabilitation ministry in 2003 to enhance rural communities' capacity to identify and implement small-scale development, while improving local governance. Villages receive small grants, and communities identify local development needs and elect a Community Development Council (CDC) to plan, manage and monitor the projects. See NSP website: www.nspafghanistan.org/.

⁸³ Crisis Group interview, Hamid Jalil, aid management director, Kabul, 12 February 2011.

⁸⁴ Crisis Group interview, Kabul, February 2011.

⁸⁵ See Crisis Group Report, *The Insurgency in Afghanistan's Heartland*; and Briefing N°115, *Afghanistan: Exit vs Engagement*, both op. cit.

⁸⁶ Crisis Group interviews, Kabul, December 2010, February 2011.

benchmarks and strong oversight, monitoring and evaluation mechanisms. Apart from making funding levels more predictable and consistent, such a strategy would also articulate clearer objectives for the use of U.S. taxpayers' money.⁸⁷

In a July 2011 report on on-budget assistance, the U.S. Government Accountability Office (GAO) found that USAID policies have yet to reflect the commitment of its administrator, Dr Rajiv Shah, to Congress in 2010 that the agency would ensure all recipient state institutions had the organisational structure and financial management capacity to spend funds transparently. Additional risk assessment steps being taken by USAID were said to respond to the administrator's statement, GAO findings and a new management certification required by Congress.⁸⁸

GAO also found that USAID did not systematically conduct risk assessments before disbursing funds. For example, it signed bilateral agreements worth \$46 million with two government entities, the Independent Directorate for Local Governance (IDLG) and the transport and civil aviation ministry, months before evaluations were completed, arguing that they urgently needed funding.⁸⁹ Both institutions were subsequently determined to present high risks, notably in their financial management. Monitoring was also undermined by USAID's failure to consistently demand and document recipients' expenditures, as well as by insecurity, preventing the U.S. Defense Department from adequately monitoring Afghan defence and interior ministry subcontractors in the field.⁹⁰

Given that there is an international donor community commitment to channel at least 50 per cent of direct assistance through the national core budget of Afghanistan, GAO criticised USAID for also failing to conduct a risk assessment of the World Bank before contributing to the ARTF, rely-

ing instead solely on the fund's administrator to monitor Afghan government expenditures. USAID adopted new procedures to remedy that situation for future grants.⁹¹ According to GAO, insecurity and Kabul's limited capacity to meet procurement and financial management standards have undermined the World Bank's financial control mechanisms.⁹² USAID is now establishing new procedures to review future grants made to ARTF; the World Bank has also indicated willingness to increase donors' oversight of the ARTF by, for instance, allowing them greater access to financial records.⁹³

In December 2010, the Asian Development Bank (ADB) established a trust fund to finance major physical infrastructure, with the Japanese government making the first disbursement of \$20 million in March 2011.⁹⁴ Through substantial and sustained contributions, donors could help build Kabul's capacity to initiate large-scale infrastructure development in the provinces. Along with UN agencies, the World Bank and the ADB, they could also influence the selection of projects and ensure transparent bidding processes and implementation, thus ensuring that projects reflect actual needs rather than a ministry's or a single donor's political agenda.

Kabul expects donors to dedicate 80 per cent of their funding to 22 National Priority Programs (NPPs) – social and economic development programs – presented at the Kabul Conference.⁹⁵ Many, such as the National Solidarity Program and the Basic Package for Health Services (BPHS),⁹⁶ have been on-going for years and are popular with donors. USAID, for example, supports the BPHS by providing funds directly through the finance ministry, then onward to the public health ministry via a special account. For the EU, another main BPHS donor, transitioning towards greater local ownership entails not a major realignment of funds but rather a change in practices to ensure that money is tracked and ultimately used for the intended purposes. The EU directly funds NGOs implementing the

⁸⁷ "Evaluating U.S. Foreign Assistance to Afghanistan", majority staff report prepared for the U.S. Senate Committee on Foreign Relations, 8 June 2011, p. 4.

⁸⁸ The Economic Support Fund (ESF) header of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 (Division F, Public Law 111-117) includes a requirement that before direct assistance can be given, the U.S. and Afghan governments must have established mechanisms within each Afghan government implementing agency to ensure that ESF funds are used for the intended purposes.

⁸⁹ USAID responded to Crisis Group that while the agreement with the transport and civil aviation ministry was signed, no funds were disbursed until the assessment was completed. Communication, 1 August 2011.

⁹⁰ "Afghanistan: Actions Needed", GAO, op. cit., pp. 11-17. In response, USAID argued that bilateral assistance mechanisms already included some preliminary assessments and added that further steps had been taken to improve compliance, including reviewing existing grant agreements with the Afghan government and clarifying USAID staff responsibilities with regard to monitoring funds. Ibid, pp. 36-42.

⁹¹ See USAID Revised ADS 308, April 2011, Official USAID regulations, Automated Directives System (ADS).

⁹² For instance, the Afghan government's external auditor, the Control and Audit Office (CAO), which conducts annual audits of ARTF-funded projects, was unable to travel to 24 of the 34 provinces between March 2009 and March 2010. GAO raised similar concerns regarding UNDP's ability to monitor funds disbursed through LOTFA. "Afghanistan: Actions Needed", GAO, op. cit., pp. 6, 18-25.

⁹³ Ibid, pp. 23, 36-42.

⁹⁴ "Japan First Donor to Infrastructure Reconstruction Fund for Afghanistan", Asian Development Bank, 25 March 2011.

⁹⁵ There is discussion within the Afghan government about compressing some of these.

⁹⁶ BPHS is the country's primary health care program, implemented by the public health ministry and outsourced to local and international NGOs. See <http://moph.gov.af/en/page/584>.

basic health package. Although the public health ministry is involved in decisions, including monitoring and evaluation, EU assistance in effect bypasses the government. It now intends to channel funding through the ministry, which in turn will allocate it to implementing NGOs.⁹⁷ EU funding is expected to go through the ARTF by 2013.⁹⁸

2. Centre-Province dynamics

Under Afghanistan's centralised financial system, the government's operating costs flow from the centre to the provinces. The central government also handles most development expenditures. Under the 2008 public procurement law (amended in 2009), provinces receive some funds for development expenditures, which are spent directly by provincial authorities. Operating costs are delivered to *mustofyats* (treasury department representatives in the provinces) on a quarterly basis and disbursed pursuant to requests from provincial departments.⁹⁹ A major portion of expenditure for development projects of all 34 provinces is procured at the centre by line ministries. For large infrastructure projects, for instance, funds are released to contractors directly by the public works ministry.¹⁰⁰

Provinces are required to relay locally-generated revenue – or at least the part of it they declare – to the central government. “Collected revenue”, said a government official, “is transferred to a government single account, then during the budget planning and formulation process it is allocated wherever needed”.¹⁰¹ The central government, which has often failed to collect taxes, such as on property, from provinces due to insecurity, incapacity and inefficiency, can thus ostensibly counter the influence of provincial governors, among them many U.S.-backed former warlords, who have repeatedly withheld customs revenue from the centre.¹⁰²

A finance ministry official argued that the centralised public financial system “avoids corruption [and enhances] transparency and accountability to donors”.¹⁰³ Proponents of this system also maintain that allowing provinces to fund development through their own revenue, such as by raising custom taxes (for border provinces), would generate geographically uneven development across provinces and thus more inequality. But the present system is far from egalitarian and remains a source of conflict between Kabul and the provinces. Development aid earmarked by the central government or channelled directly by donors seldom reflects a province's needs or the size of its population; instead it depends more on a close relationship between a centrally appointed governor and the Karzai administration, or on donor countries' presence – diplomatic and military – in a particular province.¹⁰⁴

Provincial development committees (PDCs), established in 2005, develop a five-year provincial development plan (PDP), revised annually. The governor chairs the PDC, and the province's economy department heads its secretariat. Line departments identify priorities with the PDC. An elected provincial council sits on the PDC and endorses the PDP. Without its own budget, however, the PDC's ability to formulate and implement plans remains limited. “We only list projects without being able to travel to districts and talk to people”, said Balkh province's economy department director.¹⁰⁵

In the absence of a provincial development budget, PDP implementation has depended on funding from donor representatives in the province, primarily PRTs. While President Karzai has called for phasing out the PRTs, a number of provinces are wary to see a major source of direct funding disappear.¹⁰⁶ But since such funding, particularly by the U.S., is tied to military objectives, it is mostly provided to the insecure south and east, neglecting the more stable provinces, where an adequately funded PDP could yield significant development gains.¹⁰⁷

Donors often cite their reluctance to fund PDPs on the grounds of poor project formulation. But, as a member of UNAMA's aid coherence unit noted, “donors complain

⁹⁷ Crisis Group interview, head of operations, EU delegation, Kabul, 3 February 2011. In Wardak and Parwan, the ministry has been directly implementing BPHS. Results show such direct implementation is cheaper, but may owe its success to the two provinces' proximity to Kabul and so not be reproducible. Crisis Group interview, EU diplomat, Kabul, 3 February 2011.

⁹⁸ Crisis Group email interviews, EU diplomat, Kabul, 3 February, 5 April 2011.

⁹⁹ Crisis Group email interview, Najimullah Qasimi, provincial budgeting manager, finance ministry, 8 June 2011.

¹⁰⁰ Crisis Group interview, Hamid Jalil, aid management director, finance ministry, Kabul, 12 February 2011.

¹⁰¹ Crisis Group email interview, Najimullah Qasimi, provincial budgeting manager, finance ministry, Kabul, 8 June 2011.

¹⁰² See Crisis Group Briefings, *Afghanistan: Exit vs Engagement*, op. cit.; and N°89, *Afghanistan: New U.S. Administration, New Directions*, 13 March 2009; also Rashid, *Descent into Chaos*, op. cit., pp. 186-187.

¹⁰³ Crisis Group interview, Hamid Jalil, aid management director, finance ministry, Kabul, 12 February 2011.

¹⁰⁴ To ensure accountability and counter political manoeuvring, Crisis Group has advocated that provincial governors be elected, not appointed by the president; see Briefing, *Afghanistan: New U.S. Administration, New Directions*, op. cit., p. 8.

¹⁰⁵ Crisis Group interview, Haji Abdul Rahman, director, economy department, Mazar-i-Sharif, 9 February 2011.

¹⁰⁶ Crisis Group interviews, provincial authorities, Herat and Mazar-i-Sharif, February 2011.

¹⁰⁷ About 80 per cent of USAID resources are spent in the insecure south and east; “Evaluating U.S. Foreign Assistance to Afghanistan”, op. cit., p. 2.

that the PDP is a mere wish list, but were they to approach a line department and offer to fund one of the PDP's components, the line department would produce a proposal. We have the structure in place; we should use it".¹⁰⁸ PDCs have reportedly been asked to consult with the district development assemblies (DDA), district council and village councils to improve project formulation.¹⁰⁹ PRTs have also increased their coordination with provincial authorities and have begun to seek the approval of PDCs before implementing projects.¹¹⁰ However, provincial development plan funding remains limited. For example, only 50 of 118 prioritised projects in Herat's PDP have found a donor in 2011. In Balkh province, donors channelled only 10 per cent of their projects through the PDP in 2009 and 18 per cent in 2010.¹¹¹

In its spring 2010 Sub-national Governance Policy, the Independent Directorate of Local Governance (IDLG)¹¹² identified some shortcomings of an overly centralised public financial system in which "budgets are made for the provinces, not by the provinces".¹¹³ While Kabul now acknowledges that provincial authorities should play a greater role in budget formulation, it has yet to authorise them to design and fund a consolidated provincial budget, using their own revenue. While the government said that it would devise "practical mechanisms to ensure a fair and transparent distribution of resources", it is reluctant to devolve fiscal authority over the development budget.¹¹⁴

In July 2010, the finance ministry's Public Financial Management Roadmap listed the steps required to devolve budget planning by, for instance, assisting PDCs in improving provincial development plans and exploring ways to finance these plans through the national budget and donor funding.¹¹⁵ The education ministry is currently working with the World Bank on a provincial resource allocation pilot project to develop guidelines to equitably distribute resources among the provinces.¹¹⁶ Moreover, the finance ministry intends to roll out a new provincial budgeting approach in 2011 that will allocate \$17 million each to the IDLG and to four pilot ministries, which will then allocate \$500,000 to each of the 34 provinces.¹¹⁷

Yet, efforts to increase the role of provinces in determining their budgetary needs and to balance the allocation of development funds across provinces have faced numerous challenges. In 2007, the finance ministry introduced a provincial budgeting program in three ministries across three provinces, Balkh, Panjshir and Kandahar, in a pilot effort aimed at increasing the provincial role in determining budgetary allocations and ensuring a closer correlation between allocations and fiscal needs.¹¹⁸ The ministries were to earmark a part of their annual budget allocation to these provinces in close consultation with their provincial line departments. But in late 2010 a project progress report concluded in classical bureaucratese:

Centralised budget formulation and execution mechanism has remained a challenge for rolling out the provincial budgeting exercise at the sub-national level. Ignoring the provincial authorities in the budget formulation practice by the line ministries has uninspired the sub-national governance bodies to be part of the efficient and effective budget execution exercise.¹¹⁹

Aligning aid effectively with provincial development plans would enhance the state's ability to meet public needs at the local level. For this to be achieved, however, donors should

¹⁰⁸ Crisis Group interview, development coordination officer, aid coherence unit, UNAMA, Mazar-i-Sharif, 10 February 2011.

¹⁰⁹ Crisis Group interview, Haji Abdul Rahman, director, economy department, Mazar-i-Sharif, 9 February 2011.

¹¹⁰ Crisis Group interviews, Alhaj Aqa M. Sadiqqi, director, rural rehabilitation and development department, Herat, 5 February 2011; Eng. Abdul Naser Aswadi, director, economy department, Herat provincial government, Herat, 6 February 2011. See also "PRT Engagement in Provincial Development", PRT Executive Steering Committee Policy Note Number 1, 7 December 2006, updated 29 January 2009.

¹¹¹ Crisis Group interviews, Eng. Abdul Nasir Aswadi, director, economy department, provincial government, Herat, 6 February 2011; Ravshan Bakoev, development coordination officer, aid coherence unit, UNAMA, Mazar-i-Sharif, 10 February 2011.

¹¹² Established by presidential decree in 2007, the IDLG is tasked with strengthening governance in administrative divisions from the provincial to the district level. It supervises provincial and district governors, provincial councils and municipalities (except Kabul) and any new "sub-national" governance body. See IDLG website: www.idlg.gov.af.

¹¹³ "Sub-national Governance Policy", Independent Directorate of Local Governance, Afghan government, spring 2010, p. 315. The reforms this document proposes, approved by the Council of Ministers in March 2010, are to be implemented 2010-2014.

¹¹⁴ "National Budget 1389", p. 38.

¹¹⁵ "Public Financial Management Roadmap", finance ministry, 14 July 2010, p. 12.

¹¹⁶ Crisis Group email interview, Najimullah Qasimi, provincial budgeting manager, finance ministry, 8 June 2011. See also, "1390 National Budget Statement Draft", finance ministry, February 2011, p. 89.

¹¹⁷ The ministries are agriculture, irrigation and livestock; rural rehabilitation and development; education; and public health. Crisis Group email interview, Najimullah Qasimi, provincial budgeting manager, finance ministry, 8 June 2011.

¹¹⁸ The ministries were agriculture, irrigation and livestock; rural rehabilitation and development; and education. "1390 National Budget Statement Draft", op. cit., p. 88.

¹¹⁹ "Third Quarter Project Progress Report – 2010", Making Budgets and Aid Work (MBAW), UNDP, p. 24. This UNDP-run project provides support to the finance ministry's budget department, including for provincial budgeting.

invest significant resources in training provincial line department personnel, as well as providing more support to the PDCs. “We don’t need general English or computer literacy classes”, said a Balkh economy department official. “What we do need is training on proposal and report writing, and in precisely translating into English the terminology in our field. Each ministry could send a few professionals to help us”.¹²⁰ Provincial councils’ oversight and monitoring of development projects should also be enhanced by providing these elected bodies training and funding independent from the provincial government.

The IDLG plans a fund to cover the councils’ running costs. Allocations, consistent with council size, would be streamlined through the finance ministry, with the provincial governor signing off on councils’ expenses. However, the 2007 Provincial Council law gives the councils an ambiguous mandate that, in the absence of any budgetary authority, makes their role largely dependent on relationships with provincial governors.¹²¹ While the IDLG has proposed an amended version of the law, this would not change provincial council financing procedures.¹²²

UNAMA could play a constructive role by encouraging donors to channel their funds through provincial development plans and ensuring that UN agencies align their priorities with them.¹²³ Currently, as noted, such funding too often depends on the diplomatic, political and military resources that donor countries invest in a province. UNAMA does plan on increasing the level of interaction between Kabul and the provinces, for instance by creating opportunities for provincial authorities to present their development plans directly to the finance ministry. Ultimately,

however, provincial development will, in the absence of meaningful fiscal devolution, depend on Kabul’s capacity and willingness to channel funds to the local level.

Afghan government capacity is a fundamental concern. Evaluating the impact of the USAID-funded Performance Based Governors Fund, designed to finance provincial governors’ operating costs, including for local development projects,¹²⁴ the June 2011 Senate Foreign Relations Committee report on the effectiveness of U.S. assistance noted that, apart from the potential for corruption and waste due to inadequate oversight in the field, it may result in donor money “replacing national government funds that are available but not reaching the provincial level”.¹²⁵ USAID has stated that Afghan government officials acknowledged they were unprepared at the time to assume direct responsibility for the Governor’s Fund or to manage monies directly for provincial governors, provincial councils and provincial development projects.¹²⁶ It is important for the Afghan parliament to devise mechanisms and formulas that not only devolve funds to the provinces according to population size, development needs and other relevant criteria, but also give them more control over their budgets and development plans.¹²⁷

¹²⁰ Crisis Group interview, Haji Abdul Rahman, director, economy department, Mazar-i-Sharif, 9 February 2011.

¹²¹ Article 17 of the Provincial Council law says, the “administrative affairs and service needs of Provincial Councils shall be organised and provided by the concerned province”. However, an analyst notes: “There is an evident conflict of interest where the governor may not support an assertive role for the Council”. Hamish Nixon, “Subnational State-Building in Afghanistan”, Afghanistan Research and Evaluation Unit, April 2008, pp. 20-22.

¹²² Crisis Group telephone interview, Karim Mateen, general director for provincial councils, IDLG, 7 June 2011. See also Crisis Group Report, *Reforming Afghanistan’s Broken Judiciary*, op. cit., p. 18; and “The A to Z Guide to Afghanistan Assistance Ninth edition 2011”, Afghanistan Research and Evaluation Unit, 2010, pp. 73-74.

¹²³ UNAMA is mandated to coordinate all UN activities in the country, including donor coordination. In March 2011, the UN Security Council renewed its mandate for a year and stressed that its focus should remain on strengthening coordination between international development programs and governance assistance, as well as between civilian and military operations. See “Security Council Extends Mandate of Afghanistan Mission until 23 March 2012”, Department of Public Information, Security Council, 22 March 2011.

¹²⁴ Currently in its second phase, funds provided to governors are determined according to performance.

¹²⁵ “Evaluating U.S. Foreign Assistance to Afghanistan”, op. cit., pp. 28-29.

¹²⁶ USAID communication to Crisis Group, 1 August 2011.

¹²⁷ USAID says that the finance ministry has announced a pilot provincial budgeting program to encourage provinces to prepare projects that ultimately will permit on-budget assistance. It remains unclear whether and when that process will lead to revenues being transferred to provincial management. USAID communication, Crisis Group, 1 August 2011.

IV. AID AND STABILISATION

A. AID EFFECTIVENESS

Afghans within and outside government argue that the bulk of international assistance has not been properly used, largely because of an overemphasis on the security sector at the cost of building other state institutions. They criticise the preference of many donors for quick impact projects in areas where troops are deployed.¹²⁸ “Money was pumped in, not completely according to the needs of Afghanistan. Aid carries the donor’s agenda: it is donor driven, not needs driven”, said an Afghan NGO worker.¹²⁹ Yet, this donor-driven approach is undermining the international community’s principal policy objectives of stabilising Afghanistan and tackling the roots of the insurgency. These objectives will be unachievable without a major shift of strategy and continued and robust international political and economic engagement well beyond 2014.

There are strong disagreements between military and civilian actors about the ultimate objectives of assistance and how to measure success. “We have very different timeframes. The military wants to measure improvements in governance after six months; that’s just not possible”, said an international development aid worker.¹³⁰ An Afghan NGO worker added: “None of what the international community is implementing is sustainable: electricity comes from abroad, and the army and police are paid with foreign money”.¹³¹

While ten years of foreign aid could not have undone the damage to the state and its institutions from decades of conflict, public expectations were first unrealistically raised by the billions of dollars of assistance pledged to rebuild the post-Taliban state and are now fast turning into disillusionment and frustration at the limited results. “We’re doing everything we shouldn’t be doing – with high visibility and speed”, said a Kabul-based Western diplomat.¹³² It may no longer be politically viable, given domestic constraints in Western capitals, for significant numbers of foreign troops to remain in Afghanistan after 2014. But what donors do between now and then will determine the effectiveness of external aid in preventing the state from unravelling after the Western soldiers leave.

1. Ensuring accountability

That international assistance has yet to produce sustainable results is unsurprising. Development is not a short-term

effort.¹³³ Moreover, aside from the glaring discrepancies, as mentioned above, between aid pledges and actual disbursements, donor countries spend a significant proportion of assistance on administrative costs and purchasing goods and services, as well as on highly paid foreign advisers.¹³⁴ At the interior ministry, for instance, there are currently 282 foreign advisers, 120 of whom are contractors, absorbing a total of \$36 million a year. In its logistics department, international staff reportedly outnumber the Afghans they advise by 45 to fourteen.¹³⁵

Nor is foreign aid immune to the widespread official corruption and squandering of resources in the country.¹³⁶ According to an Integrity Watch Afghanistan (IWA) survey, one in seven adults paid a bribe in 2010; 28 per cent were to obtain a public service, including health and education.¹³⁷ While the Karzai government is primarily responsible for abusing badly-needed assistance, donors must also share the blame. Poorly conceived state-building projects, the failure to enforce oversight, to properly measure outcomes rather than just inputs and to address systemic failures in aid delivery create opportunities for corruption. Transport and construction aid projects, particularly, have been channelled by some agencies through a few handpicked Afghan firms instead of through a transparent process, further compounding the problem. “By placing control of vast sums of money into the hands of the few, international aid has undermined the expansion of an economic base”, said a former member of parliament.¹³⁸

While greater Afghan ownership over internationally funded projects and programs is vital, donors should nevertheless ensure transparency and efficiency, if the money is to contribute meaningfully to building local capacity and hence the state’s legitimacy. The release of funds to the government through the ARTF should, for instance, be conditioned on the government meeting clearly defined benchmarks;

¹³³ “Conflict, Security, and Development”, World Development Report, 2011.

¹³⁴ A former CIA case officer sets the average proportion of phantom aid at 60 per cent, and up to 80 per cent for U.S. funds. See Art Keller, “Ailing Aid”, Foreign Policy AfPak Channel, 24 February 2011.

¹³⁵ See Saeed Shah, “Afghans rely heavily on foreign advisers as transition looms”, *McClatchy*, 8 March 2011.

¹³⁶ See Quarterly Reports of Special Inspector General for Afghanistan, latest 31 July 2011.

¹³⁷ “Afghan perceptions and experiences of corruption: a national survey 2010”, Integrity Watch Afghanistan. Founded in 2006, IWA is a counter-corruption civil society organisation focusing on research, monitoring and advocacy. Through its network of community-based organisations, it has developed tools to encourage villagers to monitor projects in their areas and seek redress when corruption causes poor implementation. IWA published its first nationwide corruption survey in 2010.

¹³⁸ Crisis Group interview, Kabul, December 2010.

¹²⁸ Crisis Group interviews, Kabul, December 2010, February 2011.

¹²⁹ Crisis Group interview, Kabul, 14 December 2010.

¹³⁰ Crisis Group interview, Kabul, December 2010.

¹³¹ Crisis Group interview, Kabul, February 2011.

¹³² Crisis Group interview, Kabul, December 2010.

funds should be withheld when commitments are not met. The ARTF's Incentive Program Working Group (IPWG) and the proposed Strategy Working Group are appropriate forums through which such a dialogue could be pursued.¹³⁹

The donor community should adopt a common stance on a range of critical issues, especially corruption. In September 2010, the International Monetary Fund (IMF) suspended credit to Afghanistan due to massive fraud at the Kabul Bank. For many months, donors did not openly support the organisation or censure the Karzai government for its inaction, and only the UK threatened to withhold some aid;¹⁴⁰ in May 2011, its Department for International Development (DFID) confirmed that it was withholding more than £80 million (almost \$130 million) from the ARTF.¹⁴¹ By June 2011, with the IMF and the Karzai administration failing to resolve their dispute, the World Bank-administered ARTF had not made any payments for three months, withholding \$70 million of donor funds intended to support the government's recurrent costs.¹⁴²

Donors demanding greater transparency should also start with their own funding commitments, for instance by regularly communicating data on funding status and programs to the finance ministry's aid management directorate. The capacity of the government's online Development Assistance Database (DAD) to track international aid flows is limited by many donors' failure to provide complete submissions on time.¹⁴³ This in turn affects the accuracy of the Donor

Financial Review (DFR), which the finance ministry publishes to provide a comprehensive picture of all development assistance.¹⁴⁴

The finance ministry's aid management directorate, for its part, should ensure that the publicly accessible DAD is functioning and user-friendly and, with donor cooperation, widely circulate the DFR. If such information is publicly and easily available, citizens and civil society groups could more effectively exercise oversight on development projects in their localities and raise concerns through their elected provincial councils. A functioning and regularly updated database would also help the parliament to act as an effective check on executive abuse. Said a former parliamentarian, "civil society is not scared of parliament, but the government is".¹⁴⁵

2. Protecting women's rights

Given the Karzai administration's animosity to civil society groups and its resistance to parliamentary scrutiny, it is vital that some sectors remain outside the government's control even as the state assumes more responsibility over aid. Critical initiatives on women's rights are already at risk, including NGO-run women's shelters that are often the only protection available to female victims of violence.

In February 2011, the government drafted new regulations on NGO-run women's shelters, stipulating that the women's affairs ministry would disburse funding for these shelters. Women seeking shelter would be subjected to a virginity test, with their cases presented before a government panel.¹⁴⁶ "The government is trying to bring us under its control because it fears that we may reveal cases that involve government people", said the head of an NGO that runs two shelters.¹⁴⁷ These clauses have now been removed from the proposed regulation, due to civil society pressure, but the incident makes evident the vulnerability of such projects. In the amended version, awaiting the council of ministers' approval, the women's affairs ministry and civil society groups would be allowed to run separate shelters, but the ministry would still assume a monitoring role over all shelters.¹⁴⁸

¹³⁹ Created in 2008, the IPWG has overseen implementation of the ARTF's Incentive Program and recommends the level of its recurrent cost support annually. The World Bank has made recommendations to strengthen the IPWG role in leading economic governance policy discussions with the government and called for creating a Strategy Working Group to provide guidance to the ARTF's Donor Committee on implementing the fund's financial strategy. See "Afghanistan Reconstruction Trust Fund, Strengthening the ARTF Governance Structure: Proposal to the Donor Committee", World Bank, 16 September 2010.

¹⁴⁰ Candace Rondeaux, "Cleaning up Afghanistan's Banking System", Foreign Policy AfPak Channel, 4 April 2011. See also Maria Abi-Habib, "Kabul Bank to be liquidated next month", *Wall Street Journal*, 27 March 2011; Alissa J. Rubin and Rod Nordland, "Afghan elite borrowed freely from Kabul Bank", *The New York Times*, 28 March 2011; and Paul Tait, "Afghanistan agrees to break up fraud-hit bank", Reuters, 28 March 2011. On 27 June, Abdul Qadir Fitrat, the governor of the central bank, resigned, saying he feared for his life after he "spoke to the parliament and exposed some people who were responsible for the crisis of Kabul bank". "Afghan banker says he resigned, fearing for his life", Reuters, 28 June 2011.

¹⁴¹ Jonathan Owen and Brian Brady, "\$1bn fraud at Kabul Bank puts UK's Afghan pull-out in peril", *The Independent*, 22 May 2011.

¹⁴² Paul Tait, "Afghan Cash Crunch Looms After Bank Failure", Reuters, 17 June 2011.

¹⁴³ The government has now transferred the data entry responsibility to donors. See Donor Financial Review, op. cit., pp. 6-7.

¹⁴⁴ "Improving the Donor Financial Review (DFR)", Aid Management Directorate and General Budget Directorate, Afghan government, November 2010.

¹⁴⁵ Crisis Group interview, Safia Siddiqui, former member of parliament from Nangarhar province, Kabul, 15 December 2010.

¹⁴⁶ See Alissa J. Rubin, "Afghan proposal would clamp down on women's shelters", *The New York Times*, 10 February 2011; and Quil Lawrence, "Kabul seeks control of women's shelters", National Public Radio, 21 February 2011.

¹⁴⁷ Crisis Group interview, February 2011.

¹⁴⁸ Crisis Group phone interviews, Fauzia Amini, head, law department, women's affairs ministry (MOWA), 6 July 2011; and

As NATO draws down its troop presence, and Karzai seeks a deal with the Taliban, the few advances in women's and minority rights could be sacrificed to political expediency, violating Afghanistan's international commitments, for example as a signatory to the Convention on Elimination of All Forms of Discrimination against Women.¹⁴⁹ Rather than sending strong signals that this would be unacceptable, the international community's commitment to women's rights, which figured prominently in the early years after the Taliban's ouster, appears to be wavering as the military exit date draws closer. For example, a senior USAID official, referring to continued support for women's rights, argued: "There are things we can do, and do well. But if we become unrealistic and over-focused . . . we get ourselves in trouble".¹⁵⁰ As donors shift more aid responsibility to the Afghan government, they should also ensure that programming continues to incorporate gender issues, protecting women's rights and access to justice, education and health.

B. NON-MILITARY ASSISTANCE AND COUNTER-INSURGENCY

The overarching objective of international assistance is to ensure that Afghan territory does not again become a safe haven for transnational terrorist networks. Because security objectives have guided aid disbursement, foreign militaries have played a major role in distributing humanitarian, reconstruction and development assistance through Provincial Reconstruction Teams (PRT), established in late 2002 to integrate civilian and military efforts. The PRT mandate is to "assist the Islamic Republic of Afghanistan to extend its authority, in order to facilitate the development of a stable and secure environment in the identified area of operations, and enable Security Sector Reform (SSR) and reconstruction efforts".¹⁵¹

There are currently 26 PRTs led by eleven countries, but the U.S. is the main actor, leading fourteen – almost all in the restive south and east – and maintaining a presence in the others. The diversity of PRTs among different countries

ranges widely, from military-dominated to civilian-dominated; there are also no agreed conditions for when PRTs should disappear and the normal civilian development relationship with Afghan district, provincial and national authorities replace them. While funding and operational approaches largely depend on the lead nation, a significant proportion of PRT funds come through either military units or government aid agencies. PRT activities often extend beyond the security sector and immediate reconstruction needs to include emergency assistance, infrastructure and a wide range of development projects.¹⁵²

The Obama administration's revamped strategy in Afghanistan, with its ostensible shift from counter-terrorism to counter-insurgency, has in principle reaffirmed that aid should consolidate military gains and win hearts and minds. The U.S. Integrated Civilian-Military Campaign Plan for Support to Afghanistan (ICMCP) states: "[U.S. government] efforts must influence the population's decision to resist the insurgency and support the government while reducing their sense of vulnerability, dissatisfaction and opposition". Doing so, the document maintains, requires greater coordination of civil and military operations and funds, and joint development of plans, assessments and coordination mechanisms.¹⁵³

In an August 2009 assessment of the war, General Stanley McChrystal, then ISAF and U.S. forces commander, reiterated the need to focus on winning hearts and minds through a comprehensive counter-insurgency campaign,¹⁵⁴ a concept endorsed by the U.S. State Department's Afghanistan and Pakistan Regional Stabilisation Strategy, which called for a sustained civilian surge to be closely linked to troop deployment.¹⁵⁵ The Commander's Emergency Response Program (CERP), a stabilisation tool that allows the military to fund humanitarian assistance, construction or development projects, supports this counter-insurgency strategy.

Huma Safi, program manager, Women For Afghan Women (WAW), 6 July 2011. WAW, a civil society group established in 2000, seeks to protect women against gender-based violence and promote their economic, social, and political empowerment, including within the diaspora in New York. It was involved in negotiations with the government over the proposed regulation. For more detail, see its website, www.womenforafghanwomen.org/about.php.

¹⁴⁹ Afghanistan signed the convention on 14 August 1980 and ratified it on 5 March 2003.

¹⁵⁰ Rajiv Chandrasekaran, "In Afghanistan, U.S. shifts strategy on women's rights as it eyes wider priorities", *The Washington Post*, 6 March 2011; also "Clinton: U.S. will keep helping Afghan women", *ibid.*, 10 March 2011.

¹⁵¹ "PRT Handbook", fourth edition, p. 3.

¹⁵² See "Caught in the Conflict: Civilians and the International Security Strategy in Afghanistan", a briefing paper by eleven NGOs operating in Afghanistan for the NATO heads of state and government summit, 3-4 April 2009, p. 13.

¹⁵³ "United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan", U.S. embassy, Kabul and Operation Enduring Freedom, U.S. Forces in Afghanistan, 10 August 2009, p. 3.

¹⁵⁴ See "Commander's Initial Assessment", Commander NATO ISAF and U.S. Forces Afghanistan, 30 August 2009.

¹⁵⁵ U.S. civilian staff increased from 300 in January 2009 to 1,000 in early 2010. "Afghanistan and Pakistan Regional Stabilisation Strategy", Office of the Special Representative for Afghanistan and Pakistan, U.S. State Department, January 2010 (updated February), pp. 3-4. By mid-2011, there were over 1,100. See Howard LaFranchi, "In Afghanistan war, US civilian surge peaks as Pentagon begins pullback", *Christian Science Monitor*, 23 June 2011.

Since its introduction in 2004, CERP has evolved from funding small projects, such as digging wells, to larger infrastructure projects, such as road construction. Its funding has consistently and substantially increased from \$40 million in that first year to \$683 million in FY 2009, with this money available to U.S. forces exceeding the Afghan government's total spending on health and education.¹⁵⁶ After the 2009 troop surge, CERP reached \$1 billion in FY 2010.¹⁵⁷

USAID contributes to counter-insurgency through its stabilisation programs. They aim at “denying insurgents the possibility of drawing support from the local populace” once an area has been cleared by ISAF and Afghan security forces, even though these areas already receive much assistance while more stable regions are neglected.¹⁵⁸ In the State Department's Regional Stabilisation Strategy for Afghanistan and Pakistan, Secretary of State Hillary Clinton confirmed: “Far from an exercise in ‘nation-building’, [our programs] are aligned with our security objectives”.¹⁵⁹ By 2008, as much as a quarter of USAID assistance was for road construction to “facilitat[e] commercial activity and help reduce time and cost in the transport and mobility of security forces”.¹⁶⁰ USAID spent roughly 77 per cent – about \$1.65 billion – of its total FYs 2009–2010 resources, in both stabilisation and development programs, in the restive south and east; in FY 2011, it projects roughly 81 per cent – about \$872 million – will be spent there.¹⁶¹ As of April 2011, 25 to 40 per cent was going to “key terrain” districts recently retaken from Taliban control.¹⁶²

Since 2007, USAID has implemented stabilisation projects throughout the country, attempting to consolidate security gains by “creat[ing] immediate income generating opportunities; rebuild[ing] critical small-scale community and agriculture infrastructure; and enhanc[ing] the visibility, capacity, and effectiveness of district and provincial [government] of-

ficials”.¹⁶³ Five such programs, to be completed by mid-2012, are being implemented through NGOs and private contractors. Their budgets range from \$43 million for the two-year Community-Based Stabilisation Grants (CBSG) program to about \$350 million for the five-year Local Governance and Community Development (LGCD) program.¹⁶⁴

USAID expects to initiate a new approach to stabilisation in 2011, similar to LGCD. The Stabilisation in Key Areas (SIKA) program is to incorporate stabilisation alongside support for Afghan sub-national government structures in preparation for transition and focus on the “key terrain” districts and major population centres.¹⁶⁵ This close cooperation between civil and military actors on a common strategy will likely result in a greater proportion of aid being used to support military objectives. Indeed, in the Strategic Concept it adopted at the Lisbon Conference in November 2010, NATO resolved to “further develop doctrine and military capabilities for expeditionary operations, including counter-insurgency, stabilisation and reconstruction operations” and to “enhance integrated civilian-military planning throughout the crisis”.¹⁶⁶

C. CHALLENGES AND IMPACT: THE U.S. EXAMPLE

1. Coordination and oversight

Despite the Defense and State Departments' efforts to develop strategy supporting the Obama administration's counter-insurgency objectives, actual coordination between U.S. military and civilian actors has lagged. According to the U.S. Government Accountability Office (GAO), there is no centralised database of CERP and USAID projects despite repeated recommendations to create one. While USAID and the Pentagon each have a database tracking assistance, it is not necessarily accessible in the field, nor is it a joint database. Dependent on army officials and USAID staff in the field, project coordination is therefore subject to individuals' capacity and willingness to document and exchange information and cooperate. Frequent staff rotation and the resulting lack of institutional

¹⁵⁶ In FY 2008, over half of CERP funds (\$281 million of \$486 million) were used for transportation projects, mainly road construction. “Military Operations: Actions Needed to Improve Oversight and Interagency Coordination for the Commander's Emergency Response Program in Afghanistan”, GAO, May 2009, p. 4.

¹⁵⁷ Curt Tarnoff, “Afghanistan: US Foreign Assistance”, CRS, 12 August 2010, p. 14.

¹⁵⁸ For instance, one third of CERP is earmarked for Helmand (\$400 million, about \$285 per capita), while USAID has spent about \$43 per capita in recent years in Takhar province. See “Quick Impact, Quick Collapse: The Dangers of Militarised Aid in Afghanistan”, OXFAM, January 2010, pp. 3-4.

¹⁵⁹ “Afghanistan and Pakistan Regional Stabilisation Strategy”, op. cit.

¹⁶⁰ Tarnoff, op. cit., p. 5.

¹⁶¹ “Evaluating U.S. Foreign Assistance to Afghanistan”, op. cit., pp. 2, 8.

¹⁶² Crisis Group interview, U.S. official, Washington DC, 16 March 2011.

¹⁶³ “Annex VII – Assistance Objective 7: Stability Sufficient for Basic Governance and Sustainable Development”, in “U.S. Foreign Assistance For Afghanistan: POST Performance Management Plan – 2011-2015”, U.S. Mission Afghanistan, pp. 3-4.

¹⁶⁴ Budget figure provided by Trevor Hublin, USAID, Kabul, 12 February 2011. See CBSG, USAID Afghanistan, <http://afghanistan.usaid.gov>; for LGCD, see *ibid*.

¹⁶⁵ In 2010, there were 34 “key terrain” districts. In 2011, there are 90, in 54 of which General Petraeus believes, civilian-led development can take place. Crisis Group interview, U.S. official, Washington DC, 16 March 2011.

¹⁶⁶ “Strategic Concept for the Defense and Security of the Member States of the North Atlantic Treaty Organisation”, p. 7.

memory further undermine the exercise. The absence of a consolidated and overall picture of U.S. reconstruction and development efforts hinders inter-agency coordination and contributes to duplication and wastage.¹⁶⁷

GAO also pointed to the lack of adequately trained personnel to manage and oversee CERP project implementation. As a result, contracts are poorly framed, showing significant discrepancies between project objectives and contractor deliverables.¹⁶⁸ A former head of the Office of the Special Inspector for Afghanistan Reconstruction (SIGAR), Arnold Fields, then in charge of overseeing U.S. foreign assistance, found similar shortcomings in CERP monitoring and coordination.¹⁶⁹ In audits and construction reports, SIGAR discovered that standard operating procedures were not always followed; for instance, project purchasing officers, rather than the mandated contracting officer, signed off on contracts worth over \$500,000.¹⁷⁰

In 2009, although only 3 per cent of CERP projects were for major infrastructure, they took 67 per cent of its fund, were poorly managed and had inadequate oversight. In Laghman province, for example, SIGAR concluded that 27 of the 69 projects it reviewed (involving \$49 million of the \$58.5 million CERP funding there) were “at risk of failing or having questionable outcomes”. It raised similar concerns in audits of CERP funding in Khost and Kapisa provinces. Poor project formulation, particularly the emphasis on quick impact, has undermined long-term sustainability. Thus, nine road projects in Laghman province, worth \$44 million, were at risk of failing because local authorities did not have the financial and technical resources to maintain them.¹⁷¹

In 2011, CERP funding was significantly reduced for the first time. The National Defence Authorisation Act (NDAA) authorised only \$400 million for the fiscal year, \$700

million less than the administration’s request. It also placed a limit of \$20 million on any individual project, while creating an alternate program dedicated exclusively to building infrastructure construction. The new Afghanistan Infrastructure Program is to be jointly developed by the Defense and State Departments and funded partly by the former’s \$400 million Afghanistan Infrastructure Fund¹⁷² and partly by the budgets of the latter and USAID’s Overseas Contingency Operations (OCO).¹⁷³ The aim is to restore CERP’s original intent: quick impact, small-scale projects.

Despite their Steering Committee’s emphasis on working “alongside Provincial Development Committees (PDCs) in all phases of PRT-initiated development programs, including planning and implementation”,¹⁷⁴ quick impact projects do not always align with Kabul’s priorities, even though a number of PRTs have improved coordination with local Afghan authorities. “PRTs need to take their projects to the sector line department and reach an agreement with the PDCs. Then the construction companies the PRTs hire should have to coordinate with District Development Councils to complete their projects”, said the Herat director of rural rehabilitation and development, who is in charge of the province’s National Solidarity Program. “This was agreed a year and a half ago thanks to pressure from provincial authorities. Before this, there was no coordination”.¹⁷⁵ Yet in Balkh province, the economy director complained that ISAF did not share information or coordinate with his department.¹⁷⁶

A PRT’s level of coordination with local Afghan authorities is often influenced by individual relationships, while USAID civilians can circumvent the PRTs and engage directly with local counterparts but only if the security environment permits. Hence, individual rather than institutional relationships, along with security restrictions and conflict dynamics, determine the extent to which CERP and USAID staff engage and coordinate meaningfully with district authorities.

¹⁶⁷ “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue”, GAO, March 2011, pp. 120-121. USAID reports that it added CERP project locations to its database in 2010 and is planning to update the information on a quarterly basis. USAID communication, Crisis Group, 1 August 2011.

¹⁶⁸ “Military Operations: Actions Needed”, op. cit.

¹⁶⁹ Arnold Fields resigned on 4 February 2011 under pressure from a bipartisan group of senators for failing to recover misused funds and prosecute those responsible. While there is an acting inspector general for SIGAR, his replacement has yet to be announced.

¹⁷⁰ For CERP rules and guidance, see, for instance, “Commander’s Guide to Money as a Weapons System: Tactics, Techniques and Procedures”, Center for Army Lessons Learnt, April 2009, pp. 13-14.

¹⁷¹ “Recurring Problems in Afghan Construction”, testimony by Arnold Fields, inspector general, SIGAR, before Commission on Wartime Contracting in Iraq and Afghanistan, 24 January 2011, pp. 6-7.

¹⁷² Rebecca Williams and Joel Smith, “FY2011 NDAA: Summary of Foreign and Security Assistance Programs”, *The Will and the Wallet*, 10 January 2011.

¹⁷³ Most of the funds made available through OCO are spent by the Defense Department in Afghanistan, Pakistan and Iraq. Out of \$126.3 billion requested for FY 2012, \$117.6 billion will be attributed to the Defense Department. The remaining \$8.7 billion will go to the State Department and USAID, of which \$1.2 billion will be spent on civilian counter-insurgency in Afghanistan. See, “Overseas Contingency Operations”, Foreign Assistance.gov.

¹⁷⁴ “PRT Engagement in Provincial Development”, op. cit.

¹⁷⁵ Crisis Group interview, Alhaj Aqa M. Saddiqui, director, department of rural rehabilitation and development, Herat, 5 February 2011.

¹⁷⁶ Crisis Group interview, Haji Abdul Rahman, director, Balkh economy department, Mazar-i-Sharif, 9 February 2011.

As troop contributing countries scale down their presence by 2014, PRTs will relocate to four regional centres: Herat, Mazar-i-Sharif, Jalalabad and Kandahar. With the security lead gradually shifting to the Afghan government, PRTs on the transition list will close. While these closures could scale down military involvement in reconstruction and development and bolster civilian lead, they could also adversely affect the civilian surge. The field presence of USAID and State Department personnel, and their ability to travel, will be affected since they depend on the military for protection, hampering oversight and undermining sustainability of donor-funded projects. These concerns, combined with the likelihood donor aid will fall after 2014, highlight the need to ensure that available resources are best utilised, including by enhancing recipient communities' involvement in identifying needs, overseeing donor-funded projects and holding project implementers and local authorities accountable.

2. The money trail

USAID currently relies heavily on contractors,¹⁷⁷ who in turn subcontract to local companies, thus making it difficult to trace whether funds are spent as intended. As early as 2004, U.S. Ambassador Zalmay Khalilzad warned that wastage associated with using contractors is "now beginning to interfere with the credibility of the U.S. Mission in Afghanistan".¹⁷⁸ Between 2007 and 2009, USAID obligated 53 per cent of its construction funds (\$2 billion of \$3.8 billion) to contractors, half to two companies, the Louis Berger Group, a New Jersey-based engineering and construction firm, and Development Alternatives (DAI), based in Maryland.¹⁷⁹

In its Afghanistan/Pakistan Regional Stabilisation Strategy, the State Department called for reducing the number of contractors. The Louis Berger Group nevertheless remains a major reconstruction player, despite having to pay back money it allegedly overcharged the U.S. government, along with penalty fees for systematic over-billing.¹⁸⁰ The Planning

and Development Collaborative International (PADCO), another U.S. consultancy and development services firm, has implemented construction projects under a four-year, \$60 million USAID alternative livelihoods program in Badakhshan, many of which are reportedly unfinished or breaking down. During their implementation, between 2005 and 2009, it was reported that only one USAID staffer monitored performance on the ground, with USAID relying on third party monitors. USAID officials have cited insecurity, lack of staff and geographic remoteness as explanation for poor oversight.¹⁸¹

The Kabul Bank fraud case (see above), is also indicative of the susceptibility of international assistance and the need for vigilant oversight in a corrupt and insecure environment. As part of USAID's technical assistance to the Afghan government, the international accounting and consulting firm Deloitte was contracted to provide capacity building and technical assistance in banking supervision to the Afghanistan Central Bank. Following clear signs of fraud, USAID's Office of the Inspector General criticised the firm for failing to warn authorities about the Kabul Bank crisis. The same internal investigation also recommended that USAID should "require contractors and grantees to report indications of fraud in host-government institutions or possible problems that could reasonably be considered to be of foreign policy interest to USAID and the U.S. Government".¹⁸²

To discourage sub-contracting, USAID now includes a clause in contracts that stipulates the percentage of work to be done by the original contractor and restricts the number of subcontractors. In some cases, existing subcontracts will be eliminated. In February 2011, USAID also established a vetting support unit to run security checks on non-U.S. companies, individuals who could receive agency funds, and, if required, existing contractors and subcontractors.¹⁸³ Although the substantial increase in civilian personnel could have improved oversight and stemmed wastage and corruption, much of the additional staff has been unable

¹⁷⁷ These are USAID accredited American firms.

¹⁷⁸ Marisa Taylor and Warren P. Strobel, "U.S. contractor accused of fraud still winning big Afghan projects", *McClatchy*, 19 September 2010.

¹⁷⁹ "DOD, State and USAID Obligated Over \$17.7 Billion to About 7,000 Contractors and Other Entities for Afghanistan Reconstruction During Fiscal Years 2007-2009", SIGAR, 27 October 2010, pp. 12-13. A private company, DAI conducts research and implements projects for clients, focusing on economic growth, health, environment and energy, governance and stability. It also assists corporate clients in developing business strategy in developing countries, www.dai.com/work/.

¹⁸⁰ USAID has given Louis Berger (LB), along with Black & Veatch, another U.S.-based firm, \$1.4 billion for reconstruction. See Taylor and Strobel, "U.S. contractor accused", op. cit. With \$736 million of contracts, LB was by far the largest re-

ipient of USAID funds in Afghanistan between FY 2007 and FY 2009 and the second largest recipient of U.S. reconstruction money (after DynCorps International, with almost \$1.99 billion in contracts from the State Department's Bureau of International Narcotics and Law Enforcement Affairs and the U.S. Army Corps of Engineers). "Quarterly Report to the United States Congress", SIGAR, January 2011, p. 7; also, USAID communication to Crisis Group, 1 August 2011.

¹⁸¹ Ben Arnoldy and Monique Jacques, "Afghanistan war: How USAID loses hearts and minds", *Christian Science Monitor*, 28 July 2010.

¹⁸² "Review of USAID/Afghanistan's Bank Supervision Assistance Activities and the Kabul Bank Crisis", Office of the Inspector General, USAID, 16 March 2011, p. 4.

¹⁸³ Crisis Group interview, USAID official, Washington DC, April 2011.

to leave Kabul due to increased insecurity.¹⁸⁴ Moreover, according to SIGAR, the State Department has not given newly deployed personnel necessary training, because of the perceived urgency of the civilian surge.¹⁸⁵

The Defense Department also relies heavily on contractors. Though attempts are underway to reduce that reliance, the numbers are still very large.¹⁸⁶ Between 2007 and 2009, its \$11.5 billion reconstruction funds went exclusively to contractors.¹⁸⁷ In contrast to its operations in Iraq, Pentagon contract personnel have generally been overwhelmingly local: 75 per cent were Afghans in 2010, although this figure decreased to 53 per cent in the first quarter of 2011.¹⁸⁸

U.S. Congressional inquiries have found that Afghan security companies, many run by former warlords, maintain private militias through Defense Department contracts to protect U.S. supply chains.¹⁸⁹ Corruption is commonplace. “Internationals [donors] give a lot of money to international security firms who subcontract to Afghan security companies, who in turn recruit Afghan personnel but pay only \$200, when \$2,000 had been budgeted for salaries”, said Herat’s provincial council chairperson.¹⁹⁰ Many security companies bribe contractors for protection contracts, who in turn bribe insurgents and government officials, driving up the cost of reconstruction projects.

¹⁸⁴ See Josh Boak, “In Afghanistan, U.S. ‘civilian surge’ falls short in building local government”, *The Washington Post*, 8 March 2011. According to a USAID official, attacks on organisations working for USAID went from a monthly average of eight in 2009 to 55 in 2010. Missy Ryan, “Afghan security ban seen holding up \$6 bln in US aid”, Reuters, 13 February 2011. USAID reports that by August 2011, it has assigned 55 per cent to 60 per cent of its staff outside Kabul. USAID communication to Crisis Group, 1 August 2011.

¹⁸⁵ “Audit: U.S. Civilian Uplift in Afghanistan is Progressing but Some Key Issues Merit Further Examination as Implementation Continues”, SIGAR, 26 October 2010.

¹⁸⁶ Total contractors working for the Defense Department in Afghanistan decreased from 107,292 in the first quarter of 2010 to 87,483 in the first quarter of 2011. “Quarterly Report to the United States Congress”, SIGAR, April 2011, p. 56.

¹⁸⁷ “DOD, State and USAID Obligated over \$17.7 Billion to about 7,000 Contractors and Other Entities for Afghanistan Reconstruction during Fiscal Years 2007-2009”, SIGAR, 27 October 2010, pp. 4-9.

¹⁸⁸ “Quarterly Report to the United States Congress”, April 2011, p. 56.

¹⁸⁹ See “Warlords, Inc.: Extortion and Corruption Along the U.S. Supply Chain in Afghanistan”, majority staff report, Rep. John F. Tierney, Chair Subcommittee on National Security and Foreign Affairs, U.S. House of Representatives, June 2010; and “Inquiry Into the Role and Oversight of Private Security Contractors in Afghanistan”, U.S. Senate Committee on Armed Services, 28 September 2010.

¹⁹⁰ Crisis Group interview, Dr Abdul Zahir Faizzada, chairperson, Provincial Council, Herat, 7 February 2011.

The draft report of the Commission for Wartime Contracting in Iraq and Afghanistan, based on a three-year investigation, noted that subcontractors paid as much as 20 per cent of their contracts to insurgents for “protection” in eastern Afghanistan.¹⁹¹ Local contractors, working on development projects, pay bribes to Taliban representatives and even seek written authorisation to work in an area from Taliban leaders. Otherwise, they have at best been prohibited from implementing projects and at worst had their projects and staff attacked.¹⁹² Consequently, taxpayers’ money fuels corruption networks, undermining the writ of the Afghan government and even financing the insurgency.

In a June 2010 report, the U.S. House Subcommittee on National Security and Foreign Affairs found that:

While outsourcing principal responsibility for the supply chain in Afghanistan to local truckers and unknown security commanders has allowed the Department of Defense to devote a greater percentage of its force structure to priority operations, these logistics arrangements have significant unintended consequences for the overall counter-insurgency strategy. By fuelling unaccountable warlords and funding parallel power structures, the United States undercuts efforts to establish popular confidence in a credible and sustainable Afghan government.¹⁹³

In June 2010, a U.S.-led body, Task Force 2010, was set up to oversee military contracting and improve the coalition’s contracting practices.¹⁹⁴ In September 2010, General Petraeus urged commanders to become “better buyers and buy from better people”, noting that vast sums of money spent rapidly and with little oversight could “unintentionally fuel corruption, finance insurgent organisations, strengthen criminal patronage networks and undermine our effort in

¹⁹¹ The final report is to be sent to Congress shortly. See Nathan Hodge, “Report finds vast waste in U.S. War Contracts”, *The Wall Street Journal*, 23 July 2011.

¹⁹² The Taliban are said to demand about 10 per cent of the project’s cost and to authorise small buildings such as schools or clinics, but systematically refuse militarily significant infrastructure such as asphalted roads. Emmanuel Duparcq, “Aid lines Taliban pockets in Afghanistan”, Agence France-Presse, 31 March 2011.

¹⁹³ “Warlords, Inc.”, op. cit., p. 44.

¹⁹⁴ “New taskforce stands up to combat contract corruption”, ISAF website: www.isaf.nato.int/. A Contract Action Plan was developed to improve coordination between the taskforce and U.S. field commanders, including a provision for the taskforce to recommend that contracting firms or individuals financing the insurgency be placed on the UN sanctions list. At least one major Afghan security contractor has been barred, but no one has as yet been placed on the sanctions list. See Crisis Group Report, *The Insurgency in Afghanistan’s Heartland*, op. cit.

Afghanistan”.¹⁹⁵ It is far from clear that this warning is being heeded.

3. Measuring impact

Various assessments of aid have found that even with timely disbursement and project completion, the impact on lives remains uncertain, particularly when assistance is shaped by stabilisation goals rather than the needs, priorities and input of the recipients. In its June 2011 report assessing the impact of U.S. aid, the U.S. Senate Foreign Relations Committee stated: “The evidence that stabilisation programs promote stability in Afghanistan is limited. Some research suggests the opposite and development best practices question the efficacy of using aid as a stabilisation tool over the long run”.¹⁹⁶

For example International Relief and Development, a U.S.-based non-profit organisation implementing a \$33 million wheat seed voucher distribution program, apparently could not show that farmers who received the aid were better off than those that did not. A press article reported that over half the voucher distribution proofs reviewed appeared to have been falsified. Auditors reportedly concluded that improved wheat yields could more directly be attributed to weather. USAID, which has expanded the program’s budget and scope within a wider \$431 million counter-insurgency initiative, responds that it has improved monitoring systems, and the voucher packages have generated over \$328 million in crop value to Afghan farmers since 2008, contributing to the largest wheat production in the country’s history.¹⁹⁷

DAI is attempting to measure the impact of its USAID-funded Local Governance and Community Development program by assessing village-level changes in perceptions of stability. Of the 53 villages surveyed countrywide in three phases in 2010, twenty noted an improvement in stability, while 23 reported no change, and ten saw security deteriorating. The exercise, DAI concluded, “allows us to make general statements about the effectiveness of our approach [in winning hearts and minds], if not (yet) our activities”.¹⁹⁸ DAI’s senior monitoring, evaluation and research adviser for LGCD argued that factoring in data on

security incidents and violence would provide a fairer representation of the program’s impact: “If we’ve worked in an area, and then there’s a night raid and we ask people if what we’ve done has had a positive impact, the answer will obviously be skewed”.¹⁹⁹

Despite some improvements in communication and coordination with local authorities, quick impact projects, whether funded through civilian or military channels, are failing to strengthen the government’s legitimacy, let alone accountability. A Balkh provincial council general secretary noted: “When people come to complain about a project and are told that local authorities can’t do anything about it because it’s contracted out by the PRT, they lose faith in their government”.²⁰⁰ Limited provincial development funds also undercut the government’s credibility, since districts or provinces might attract aid but have no funds to sustain projects once they are transferred to local authorities.²⁰¹

D. HUMANITARIAN ACCESS

The militarisation of aid is undermining humanitarian assistance. Over 400,000 Afghans are affected by natural disasters each year.²⁰² Floods in summer 2010 alone left 200,000 homeless.²⁰³ The UN High Commissioner for Refugees and the refugee return and rehabilitation ministry’s National IDP Task Force estimated that by the end of January 2011, 309,000 people were internally displaced because of conflict, human rights abuse and other forms of violence – a figure unmatched since 2005.²⁰⁴ As the conflict intensifies ahead of the planned ISAF drawdown, not only is conflict-induced displacement likely to increase but displacement caused by natural disasters will also likely become more protracted as insecurity prevents families from returning home. The conflict is “spreading and intensifying and we’re [likely] to see another year of conflict

¹⁹⁵ “COMISAF’s Counter-insurgency (COIN) Contracting Guidance”, COMISAF/CDR USFOR-A, 8 September 2010.

¹⁹⁶ “Evaluating U.S. Foreign Assistance to Afghanistan”, op. cit., p. 2.

¹⁹⁷ Marisa Taylor, Dion Nissenbaum, “U.S. keeps funneling money to troubled Afghan projects”, *McClatchy*, 13 January 2011. USAID communication to Crisis Group, 1 August 2011.

¹⁹⁸ “Measuring the Impact of Stability Operations: The LGCD Stabilization Survey”, USAID Afghanistan, pp. 9-10. DAI is currently finalising the fourth and final phase of its survey. Crisis Group email interview, Samuel Schueth, DAI, April 2011.

¹⁹⁹ Crisis Group interview, Samuel Schueth, Kabul, 13 February 2011.

²⁰⁰ Crisis Group interview, Dr Mohammad Afzal Hadid, general secretary, Balkh provincial council, Mazar-i-Sharif, 9 February 2011.

²⁰¹ Josh Boak, “In Afghan hands, aid projects neglected”, *The Washington Post*, 4 January 2011.

²⁰² “Afghanistan Complex Emergency factsheet #1 FY 2011”, USAID Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) and Office of U.S. Foreign Disaster Assistance, 9 December 2010, p. 1.

²⁰³ “Afghanistan Consolidated Appeal 2011”, UN, 2011, p. 1.

²⁰⁴ “Afghanistan: Need to minimise new displacement and increase protection for recently displaced in remote areas”, Internal Displacement Monitoring Centre, 11 April 2011, p. 4. According to U.S.-based advocacy organisation Refugees International, 91,000 people fled their homes in the first five months of 2011, compared to 42,000 for the same period in 2010. The increase was attributed primarily to ISAF and ANSF operations against the insurgents. Lynn Yoshikawa and Matt Pennington, “Afghanistan: Responsible U.S. Transition Must Address Displacement Crisis”, Refugees International, 28 June 2011, p. 1.

with dramatic consequences for civilians”, said the head of the International Committee of the Red Cross (ICRC) in Afghanistan.²⁰⁵

The volatile security situation and recurring natural disasters have made it difficult for international NGOs to plan for humanitarian needs. For instance, with insurgents gaining ground in the north, the UN Office for the Coordination of Humanitarian Affairs (OCHA) expects the conflict-induced IDP caseload in 2011 to rise to 16,000 families, double the worst-case scenario it had planned for. In late January, there were already 6,369 displaced families in the north.²⁰⁶

Donors have, however, been slow to disburse humanitarian assistance funds. The 2010 consolidated humanitarian appeal of \$871 million was only 62 per cent funded by June 2010 and brought down to \$773 million in a mid-year review to reflect more realistic targets.²⁰⁷ The 2011 appeal has been further reduced, to \$679 million.²⁰⁸ By mid-July 2011, it was 63 per cent funded, with more than two thirds of contributions and commitments from the U.S., Japan and the European Commission.²⁰⁹

Funds available to humanitarian organisations are also subject to donor-imposed conditions and constraints. A number of NGOs are no longer able to work in areas that have come under insurgent control because of stipulations that the money not benefit insurgents or anyone affiliated to them.²¹⁰ The Afghan Red Crescent Society refuses to accept USAID funding on the grounds that it would be prevented from treating “a wounded Taliban or the sick children of a Talib”, thus compromising its impartiality.²¹¹ Organisations that rely primarily on private donations rather than public funding, such as Médecins sans Frontières (MSF) or OXFAM, are able to maintain a degree of independence in programming.²¹² But for Afghan NGOs, the

choices are limited. As an NGO worker commented, “right now the money is in the hands of the donors and the military, so they take all decisions”.²¹³

Civil-military coordination meetings – to share concerns and information but not to agree on a unified implementation plan – are held monthly, headed by OCHA and attended by ISAF, PRTs, UN agencies and the Agency Coordinating Body for Afghan Relief (ACBAR) representing NGOs. They are conducted within the framework of the 2008 Guidelines for Interaction and Coordination of Humanitarian Actors and Military Actors in Afghanistan, which stress that civilian authorities and humanitarian actors should lead aid coordination, and military assets may only be deployed as a last resort.²¹⁴ A PRT Executive Steering Committee Policy Note even states that “[humanitarian aid] may not be used for the purpose of political gain, relationship building, or ‘winning hearts and minds’”.²¹⁵ Nevertheless, involvement of the military in reconstruction and development in general, and of U.S. forces in humanitarian assistance in particular, has aggravated discrepancies between stated objectives and those involved in realising them.

With worsening security, NGOs find it even more difficult to maintain independence and impartiality. Their workers are in combat zones during military operations and hence vulnerable to attacks by insurgents and armed groups. Fewer of them are being killed in insurgent attacks than in 2008, when there was a dramatic increase, but abductions have become more frequent.²¹⁶ In September 2010, the UN reported

²⁰⁵ See “Afghanistan: Humanitarian situation likely to worsen in 2011 – aid agencies”, IRIN, 15 December 2010.

²⁰⁶ Figures provided by head of OCHA sub-office, Mazar-i-Sharif, 10 February 2011. The Northern Region comprises five provinces: Balkh, Faryab, Jawzjan, Samangan and Sar-e Pul.

²⁰⁷ See “Afghanistan Humanitarian Appeal: Mid-year review”, United Nations, 14 July 2010, p. 1.

²⁰⁸ “Afghanistan Consolidated Appeal 2011”, op. cit., p. 1.

²⁰⁹ See “Consolidated Appeal Afghanistan 2011: Requirements, Commitments/Contributions and Pledges per Cluster as of 20 July 2011”; and “Consolidated Appeal Afghanistan 2011: Total Funding per Donor (to projects listed in the Appeal) as of 20 July 2011”, Financial Tracking Service, <http://fts.unocha.org/reports>.

²¹⁰ Crisis Group interview, Kabul, December 2010.

²¹¹ Fatima Gilani, ARCS director, cited in “Red Crescent wants more funding but not at any price”, IRIN, 17 January 2011.

²¹² 90 per cent of MSF funding comes from private donations, www.msf.org/. OXFAM America receives over half of its funding from individuals, www.oxfamamerica.org/.

²¹³ Crisis Group interview, team leader, Afghan NGO, Kabul, December 2010.

²¹⁴ “Guidelines for Interaction and Coordination of Humanitarian Actors and Military Actors in Afghanistan”, developed by the Afghanistan Civil-Military Working Group, co-chaired by UNAMA and the Agency Coordinating Body for Afghan Relief (ACBAR), 20 May 2008. Intended to promote respect for international law, standards and principles in complex emergencies, the country-specific guidelines are based on Guidelines on the Use of Foreign Military and Civil Defense Assets in Disaster Relief (Oslo Guidelines), 1994 (updated November 2006); the Use of Military and Civil Defense Assets in Support of Humanitarian Activities in Complex Emergencies (MCDA Guidelines), March 2003 (revised January 2006); and the Use of Military or Armed Escorts for Humanitarian Convoys, May 2001. Interagency Standing Committee (IASC) Reference Paper on Civil-Military Relations in Complex Emergencies, June 2004.

²¹⁵ See “PRT Coordination and Intervention in Humanitarian Assistance”, PRT Executive Steering Committee policy no. 3, 29 January 2009 (updated), p. 1.

²¹⁶ 31 NGO workers were killed in 2008, double the number in 2007. See “Caught in Conflict: Civilians and the International Security Strategy in Afghanistan”, briefing paper by eleven NGOs operating in Afghanistan for the NATO heads of state and government summit (3-4 April 2009), p. 16. The Afghan NGO Safety Office (ANSO) reported eighteen deaths in the first three quarters of 2009 and 28 in 2010; and 74 abductions

a 133 per cent increase in security incidents affecting staff from the same period (September) in 2009.²¹⁷ In one of the most high profile attacks, on 1 April 2011, protestors demonstrating against a burning of the Quran in the U.S. by a pastor stormed the UN compound in Mazar-i-Sharif, killing three UN workers and four security guards in the relatively peaceful north.²¹⁸

While NGOs often believe that insurgent groups do not specifically target them, the presence of military actors and contractors executing military-funded stabilisation projects undermines the security of their staff. For example, by using unmarked white cars – often used by UN and other aid agencies – some ISAF troops have contravened Civil-Military Guidelines and heightened security risks for aid workers.²¹⁹

Some private contractors, implementing projects to support the coalition's counter-insurgency strategy, identify themselves as aid groups. Many NGOs strongly oppose their methods and policies. "These companies operate like military outfits, complete with armed and fortified compounds. They are an example not of how soldiers are morphing into aid workers, but of how so-called aid workers are morphing into military-like figures", a former MSF country representative complained.²²⁰ While these private contracting firms warn that an Afghan government ban on employing private security companies would halt millions of dollars of reconstruction projects, many NGOs argue, perhaps unrealistically, that the ban would not hinder their activities, since they rely on community acceptance, rather than armed escorts, for their security.²²¹

in 2010 compared to 69 in 2009 and 51 in 2008. See "ANSO Quarterly Data Report Q.3 2009", 1 July-30 September 2009, p. 1; and "ANSO Quarterly Data Report Q.4 2010", 1 January-31 December 2010, pp. 1, 8.

²¹⁷ "Afghanistan Consolidated Appeal 2011", op. cit., p. 1.

²¹⁸ Dion Nissebaum, "UN to probe delay in Afghan response", *Wall Street Journal*, 5 April 2011; Joshua Partlow and Ernesto Londono, "At least seven foreigners killed in attack on UN compound in northern Afghanistan", *The Washington Post*, 2 April 2011.

²¹⁹ The matter has since been settled, according to Wael Haj-Ibrahim, head of OCHA in Afghanistan. See "Afghanistan: How should aid workers, military personnel interact?", IRIN, 28 October 2009; also "Caught in Conflict", op. cit., p. 17.

²²⁰ See Michiel Hofman, "Dangerous Aid in Afghanistan", Foreign Policy Afpak Channel, 12 January 2011.

²²¹ The ban will not come into effect until 2012, when the defence ministry's Afghan Public Protection Force is to take over protection of NATO supply convoys and reconstruction projects. "Afghanistan: security ban will not hurt us – NGOs", IRIN, 25 October 2010. See also Rajiv Chandrasekaran, "U.S.-led Afghan reconstruction projects to end because of security dispute", *The Washington Post*, 22 October 2010; and Ray

By building the state's capacity to respond to humanitarian needs, for example by strengthening the Afghanistan National Disaster Management Authority (ANDMA), donors could contribute to gradually de-militarising humanitarian aid, with military assets mobilised only where necessary and under civilian lead.²²² In the words of an international humanitarian aid worker, "developing ANDMA teams at the local level will have the added benefit of showing the district governor that he is not alone and that he should refrain from the temptation of calling the PRT or ISAF each time he needs help".²²³

The spread of Taliban control and the proliferation of armed groups, including anti-Taliban militias, are constraining humanitarian and development organisations' access to aid beneficiaries.²²⁴ "Over the past two years, we've gone from good to bad to worse [in the north]", said OCHA's representative in Mazar-i-Sharif.²²⁵ UN agencies' staff mobility is already severely limited, requiring security clearances in advance (usually two days), and travel in armoured vehicles with a police escort. Humanitarian organisations are unable to reach villages in an increasing number of districts and sometimes confine relief distribution to relatively safe district centres. "We're not reducing the danger; we're simply shifting it from us to our beneficiaries", said a humanitarian aid worker.²²⁶

To gain continued access to areas under Taliban control and/or to ensure protection for their projects in less secure areas, some NGOs have opened lines of communication with insurgent groups. Contacts can range from local Taliban representatives to their Pakistan-based leadership. "A community mobiliser is recruited from within the community to discuss with the local commander. If [the commander] sees his interest in the project, he'll let it happen", said an Afghan NGO worker.²²⁷ An international aid worker added: "The insurgency needs humanitarians to seduce the population; that's when discussion becomes possible".²²⁸

Rivera, "Afghanistan plans departure of security firms", *The New York Times*, 16 March 2011.

²²² Established in 1971 and with a new strategy developed in 2003, ANDMA is the government's disaster response organisation in charge of mitigation and preparedness, developing early warning mechanisms and managing and coordinating immediate response, recovery and rehabilitation. See www.andma.gov.af/froot.aspx?info=295.

²²³ Crisis Group interview, Herat, February 2011.

²²⁴ Anti-Taliban militias are part of a U.S.-funded local defence program.

²²⁵ Crisis Group interview, head of OCHA sub-office, Mazar-i-Sharif, 10 February 2011.

²²⁶ Crisis Group interview, February 2011 (location not cited at source's request).

²²⁷ Crisis Group interview, NGO worker, February 2011.

²²⁸ Crisis Group interview, NGO worker, December 2010.

As NGOs come under pressure to continue their activities in volatile security conditions, they should not compromise their independence as many did in the 1980s and early 1990s, when assistance was targeted according to the preferences of mujahidin commanders rather than where needs were most acute. Sacrificing independence and impartiality for security guarantees, whether from the military or insurgents, would cost them not only the community acceptance and goodwill that ultimately enables them to be effective, but also the safety of their staff and beneficiaries. NGOs should also continue to raise, at local, national and international levels, individually or through organisations such as ACBAR and InterAction,²²⁹ the challenges they face in achieving their mandate.

Donors should also have clear and broadly accepted guidelines on what qualifies as assistance to the insurgency. For example, does it benefit the insurgency if a militant's family receives natural disaster relief, or if a Taliban foot soldier receives medical treatment? How does this compare with contractors bribing insurgents in areas said to be under the control of coalition forces? What would the counter-insurgency ramifications be of denying humanitarian assistance to certain segments of the population? Without such guidelines, decisions on who is allowed access to what will appear haphazard, selective and based on military preferences.

V. MOVING FORWARD

“In Afghanistan, the international community has always been in a hurry”, said an Afghan who has worked in the NGO sector since the 1980s.²³⁰ Indeed there are few quick fixes to the deep problems, including a politically bankrupt central government. For aid to be an effective stabilisation tool, donors will have to prioritise and do much more to achieve the following goals:

Reduce Kabul's dependence on foreign aid. Instead of creating parallel, unsustainable administrative structures, civil service salaries should be increased under a rigorous pay and rank reform scheme, with clear lines of oversight and accountability, but which should also reflect the local job market. This would be less costly than the annual \$500 million of technical assistance provided by international consultants, according to a former executive director for operations of the French Development Agency (AFD).²³¹ The government should, moreover, be allowed to tax foreign contractors and subcontractors, unless they are exempted in individual donor-government contracts. The finance ministry's attempts to end such tax exemptions have been resisted by donors, particularly the U.S.,²³² thus blocking a significant source of revenue. The international community should also give technical expertise, training and resources to enhance the state's capacity to collect taxes and manage the border and customs. Investing in the energy and agricultural sectors could both generate revenue and make the economy less dependent on foreign aid.

Bolster provinces' development potential. Under UNAMA lead, donors should help provincial authorities develop feasible annual provincial development plans and ensure their funding. They should insist on timely, transparent transfers of development funds to provinces and help enhance the state's capacity to do so. All projects, particularly major infrastructure and including those directly under stabilisation programming, should be integrated into PDPs and implemented by provincial line departments and district authorities in collaboration, where needed, with NGOs or contractors. Donors should help elected provincial councils to oversee PDP implementation, including by insisting the councils have financial autonomy and adequate budgets so councillors can, for example, travel throughout their

²²⁹ InterAction is an alliance of over 190 U.S.-based international NGOs.

²³⁰ Crisis Group interview, Kabul, February 2011.

²³¹ Serge Michailof, “The Challenges of Reconstructing ‘Failed’ States: What lessons can be learned from the mistakes made by the international aid community in Afghanistan?”, presentation at the Humanitarian Forum, Annecy (France), 1 October 2010, p. 13.

²³² Karen De Young and Joshua Partlow, “Afghanistan's push to tax U.S. contractors could renew tensions”, *The Washington Post*, 17 January 2011; and Rob Nordland, “Conflict on Afghan efforts to tax foreign contractors”, *The New York Times*, 17 January 2011.

province to engage with district and village authorities and communities, identify needs and redress grievances. Provincial development budgets should reflect population size and development needs and not be hostage to relations between provincial and central government or donors' special interests.

Strengthen a broken justice system. Despite the significant resources devoted to the security sector and a greater focus on the police in recent years, the U.S. and its NATO allies have failed to help build a functioning justice system that can enforce the rule of law, including protecting the rights of all citizens, ensuring fair trial standards and taking action against corrupt officials at the centre and in the provinces. Strengthening formal judicial institutions is at least as if not even more vital to restoring state legitimacy as building the national security forces.²³³

Tackle corruption. For FY 2011, the U.S. Congress has made direct funding to the Afghan government dependent on Kabul taking tangible steps to crackdown on official corruption and uphold women's rights. Among other restrictions placed on the Economic Support Fund and International Narcotics Control appropriations of USAID and the State Department's International Narcotics Control and Law Enforcement program, it requires the Secretary of State to certify that "the U.S. government has a unified anti-corruption strategy for Afghanistan".²³⁴ The Obama administration must take this requirement seriously. The EU should similarly articulate an unambiguous message from all member states on anti-corruption and respect for human rights and other international obligations. It is significantly better placed to do so since the 2009 ratification of the Lisbon Treaty that streamlined the EU foreign policy mechanisms and, in Afghanistan, merged the "political" office of the EU Special Representative and the "development" head of the European Commission delegation.²³⁵

Strengthen community oversight. This is especially urgent where insecurity constrains international organisations' access. For example, as the National Solidarity Program, discussed earlier, expands to insecure areas, raising concerns

about adequate monitoring and evaluation,²³⁶ donors should devise roles for village-based entities such as the Community Development Councils (CDCs), elected by recipient villages, to identify needs, monitor projects and publicise corruption and poor project implementation. The councils could emulate the monitoring tools developed by the corruption watchdog, Integrity Watch Afghanistan (IWA).²³⁷ Comprehensive monitoring may not always be feasible amid armed conflict, the absence of local government and Taliban control. In such areas, donors should devise priorities according to realistic assessments of benefits and opportunity costs – for example of building a road that will be taxed or damaged by insurgent groups against funding local NGOs that service basic needs such as food or health care.

Develop greater coherence among donor countries in dialogue with the Afghan government. The ARTF's Donors and Management Committees and the Development Cooperation Dialogue (DCD) – a process initiated in November 2010 by the finance ministry to facilitate government dialogue with donors and strengthen mutual accountability, aid coordination and development planning²³⁸ – could provide the appropriate platforms. Discussions in these forums should not, however, be dependent on the calendar of donor conferences, as those in the ANDS' Joint Monitoring and Coordination Board (JCMB) have tended to be.²³⁹ Instead, they should provide opportunities for donors to regularly communicate the status of their funding and develop common objectives and benchmarks. The aid community can also use these discussions to demand stronger Afghan accountability measures over spending, including parliamentary scrutiny.

Respect international law and the principles of non-discriminatory needs-based assistance. Even if aid reflects donors' agendas, the international community should acknowledge that humanitarian assistance designed to serve military objectives rather than community needs and vulnerabilities excludes many Afghans who could and should benefit. By raising and then failing to meet public expectations, this fuels public resentment that then feeds the insurgency. Stabilisation depends on demonstrable government

²³³ For more on Crisis Group recommendations on judicial reform, see Crisis Group Reports, *Reforming Afghanistan's Broken Judiciary*; and *The Insurgency in Afghanistan's Heartland*, both op. cit.

²³⁴ "Quarterly Report to the United States Congress", SIGAR, April 2011, pp. 28-30.

²³⁵ See Treaty of Lisbon website, http://europa.eu/lisbon_treaty/faq/#12; and Joanna Buckley, "Can the EU Be More Effective in Afghanistan?", Centre for European Reform, April 2010. For reporting on the EU in Afghanistan and the need to strengthen its unity of action, see Crisis Group Report, *Rebuilding the Afghan State*, op. cit.

²³⁶ See, for instance, concerns raised by SIGAR in the summary of findings of its audit of NSP. "Quarterly Report to the United States Congress", SIGAR, April 2011, pp. 4-6.

²³⁷ Regarding IWA's community-based monitoring, see www.iwaweb.org/community_based_monitoring.html.

²³⁸ See "Development Cooperation Report 2010", op. cit.; DCD's first report combines and analyses information on international aid from the ministry's Donor Financial Reviews and donor reports.

²³⁹ Crisis Group interviews, donor representatives, Kabul, December 2010, February 2011; also Crisis Group Report, *Afghanistan: The Need for International Resolve*; and Briefing, *Afghanistan's Endangered Compact*, both op. cit.

and international community commitment to respecting international law, expanding the Afghan population's economic prospects, protecting fundamental constitutional rights and providing human security and justice – promises made nearly a decade ago.

VI. CONCLUSION

Given a decade of failed policies, the international community's goals in Afghanistan before transferring authority to Kabul by the end of 2014 are overly ambitious. The state will undoubtedly need a generation of international political, economic and technical assistance to ensure that it does not unravel without the substantial presence of foreign military forces. Nevertheless, much can still be achieved if donor engagement is backed by a coherent, cohesive and long-term commitment to strengthening Afghan ownership over development by helping to build institutions through effective on-budget assistance, while leveraging that aid to hold Afghan state institutions accountable.

Donors should immediately dissociate non-military aid from narrower military objectives and shift priorities to improving jobs, human security, justice and governance, which are critical to stabilising the state. Ultimately, community resilience can be strengthened and the cycle of violence broken only through building institutions. Just as too rushed a transition to full Afghan control over security would be catastrophic for internal and regional stability, larger influxes of non-military assistance through the government could lead to more wastage, corruption and resulting public resentment, unless donors work with their Afghan partners to enhance state capacity to be responsive, transparent and efficient. As donors shift more responsibilities over aid to the government, this should not come at the cost of more rigorous assessments of how effectively taxpayers' money is spent.

Since 2009 and the U.S. troop surge, Washington's exit strategy has focused on enhancing operations against the Taliban, luring "reconcilable" insurgents to the government's side, expanding basic services and strengthening the Afghan security services. At the same time, as a part of the strategy, attempts are underway to negotiate a durable peace with the Taliban leadership. However, with the ANP incapable of enforcing the law and the ANA equally incapable of countering the armed opposition, the money spent thus far on building the ANSF could easily go to waste if backdoor deals cede authority and territory to the Taliban. A rushed exit would leave a state incapable of tackling serious internal and regional security challenges and likely provoke another destructive civil war. As is already evident, Taliban-controlled territory in Afghanistan would also provide safe havens for its Pakistani allies, including tribal militants and al-Qaeda linked jihadi groups.²⁴⁰

²⁴⁰ In June and July 2011, Pakistani militants and their Afghan allies have conducted a number of cross-border attacks into north-west Pakistan, including into FATA's Bajaur Agency and in Khyber Pakhtunkhwa's Dir district. See for instance Salman

While aid is vital to helping a stable Afghanistan emerge out of decades of war, donors have largely failed to ensure that gains are sustainable and to reduce the state's dependence on foreign funds. After nearly a decade of sustained international assistance totalling in the billions of dollars, Afghanistan remains heavily aid dependent, not only for development projects but also to cover basic operational expenses. While the massive influx of foreign funds fuels corruption, Kabul is even less inclined to respond to citizen needs.

With its disproportionate focus on the security sector, international assistance has failed to adequately address the serious shortcomings of the Afghan state, including an overly centralised dysfunctional political system, a failing justice sector and endemic corruption, all of which are drivers of the insurgency. Rather than win hearts and minds, aid tied too closely to counter-insurgency objectives has subjected international, particularly U.S., assistance to military timeframes and priorities. It has also skewed how aid is perceived and the conditions under which it is delivered.²⁴¹ Incidents, such as villagers burning NATO-distributed aid in Ghazni in March 2011, presumably instructed by local insurgents, are therefore not surprising.²⁴²

When they meet in Bonn in late 2011, ten years after the initial Bonn conference set the stage for renewed international engagement with war-torn Afghanistan, donors should not produce a timetable that simply reflects NATO's timeframe for troop withdrawal. What is needed instead is a new plan for a comprehensive, long-term development and humanitarian partnership with Afghanistan that goes beyond the current arrangement with the central government. The international community is right to increasingly channel development aid through the government budget, but donors should also acknowledge that the transition to a greater Afghan lead requires a concerted effort to build local capacity and ownership, rather than a quick handover on the way to the exit.

Kabul/Brussels, 4 August 2011

Masood, "Pakistani soldiers killed in border fighting", *The New York Times*, 2 June 2011; and "Pakistan: Militant attack on anti-Taliban elders", BBC News, 20 June 2011. See also Crisis Group Asia Report N°164, *Pakistan: The Militant Jihadi Challenge*, 13 March 2009.

²⁴¹ "After the death of an enemy commander controlling a district, its inhabitants were promised assistance, but nothing has happened yet, people are starting to get frustrated, and signs of instability are appearing again", said a Herat-based Afghan journalist. Crisis Group interview, Herat, 6 February 2011.

²⁴² Mirwais Himmat, "Ghazni villagers set fire to aid from foreign troops", *Pajhwok Afghan News*, 1 March 2011.

APPENDIX A

MAP OF AFGHANISTAN



Map No. 3958 Rev. 7 UNITED NATIONS
 June 2011

Department of Field Support
 Cartographic Section

APPENDIX B

GLOSSARY

ACBAR	Agency Coordinating Body for Afghan Relief, informs and represents its NGO members
ANA	Afghan National Army
ANDS	Afghanistan National Development Strategy
ANP	Afghan National Police
ARTF	Afghanistan Reconstruction Trust Fund, administered by the World Bank
CERP	Commander's Emergency Response Program, allows U.S. military commanders to fund humanitarian assistance, construction or development projects as a stabilisation tool
DAD	Development Assistance Database, administered by the Afghan finance ministry
DFR	Donor Financial Review, published by the Afghan finance ministry
IDLG	Independent Directorate of Local Governance
ISAF	International Security Assistance Force
IWA	Integrity Watch Afghanistan, anti-corruption non-governmental organisation
NSP	National Solidarity Program, run by the Afghan rural rehabilitation and development ministry
PC	Provincial Council
PDC	Provincial Development Committee
PDP	Provincial Development Plan
PRT	Provincial Reconstruction Team
SIGAR	Special Inspector General for Afghanistan Reconstruction, oversees U.S. humanitarian and reconstruction assistance
UNAMA	United Nations Assistance Mission to Afghanistan
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs

APPENDIX C

EXTERNAL ASSISTANCE TO AFGHANISTAN

Donor	Funds pledged (2002-2013)	Funds committed (2002-2011)	Funds disbursed (2002-2010)
United States	56,100	44,356	37,118
Japan	7,200	3,152	3,152
Germany	5,029	2,130	762
European Commission	3,068	2,883	2,594
Asian Development Bank	2,200	2,269	1,005
United Kingdom	2,897	2,222	2,222
World Bank	2,800	2,137	1,700
Canada	1,769	1,256	1,256
India	1,200	1,516	759
Norway	938	775	636
Netherlands	864	1,015	1,015
Italy	753	645	540
Iran	673	399	377
Denmark	533	438	438
Sweden	515	635	635
Australia	369	744	656
Spain	308	220	194
United Nations	305	446	182
Saudi Arabia	268	140	103
China	252	139	58
Russian Federation	239	151	147
Switzerland	197	118	102
Agha Khan Development Network	190	140	140
Finland	152	160	160
Turkey	143	213	180
France	134	323	174
Others (28 donors)	886	630	500
TOTAL	89,982	69,252	56,805

Figures indicated in \$ millions

Source: "Development Cooperation Report", finance ministry, Government of Afghanistan, 2010, p. 95, Table 1.

APPENDIX D

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 130 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and made available simultaneously on the website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policy-makers around the world. Crisis Group is chaired by former U.S. Ambassador Thomas Pickering. Its President and Chief Executive since July 2009 has been Louise Arbour, former UN High Commissioner for Human Rights and Chief Prosecutor for the International Criminal Tribunals for the former Yugoslavia and for Rwanda.

Crisis Group's international headquarters are in Brussels, with major advocacy offices in Washington DC (where it is based as a legal entity) and New York, a smaller one in London and liaison presences in Moscow and Beijing. The organisation currently operates nine regional offices (in Bishkek, Bogotá, Dakar, Islamabad, Istanbul, Jakarta, Nairobi, Pristina and Tbilisi) and has local field representation in fourteen additional locations (Baku, Bangkok, Beirut, Bujumbura, Damascus, Dili, Jerusalem, Kabul, Kathmandu, Kinshasa, Port-au-Prince, Pretoria, Sarajevo and Seoul). Crisis Group currently covers some 60 areas of actual or potential conflict across four continents. In Africa, this includes Burundi, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, Uganda and Zimbabwe; in Asia, Afghanistan, Bangladesh, Burma/Myanmar, Indonesia, Kashmir, Kazakhstan, Kyrgyz-

stan, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Taiwan Strait, Tajikistan, Thailand, Timor-Leste, Turkmenistan and Uzbekistan; in Europe, Armenia, Azerbaijan, Bosnia and Herzegovina, Cyprus, Georgia, Kosovo, Macedonia, Russia (North Caucasus), Serbia and Turkey; in the Middle East and North Africa, Algeria, Egypt, Gulf States, Iran, Iraq, Israel-Palestine, Lebanon, Morocco, Saudi Arabia, Syria and Yemen; and in Latin America and the Caribbean, Bolivia, Colombia, Ecuador, Guatemala, Haiti and Venezuela.

Crisis Group receives financial support from a wide range of governments, institutional foundations, and private sources. The following governmental departments and agencies have provided funding in recent years: Australian Agency for International Development, Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Belgian Ministry of Foreign Affairs, Canadian International Development Agency, Canadian International Development and Research Centre, Foreign Affairs and International Trade Canada, Czech Ministry of Foreign Affairs, Royal Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Commission, Finnish Ministry of Foreign Affairs, French Ministry of Foreign Affairs, German Federal Foreign Office, Irish Aid, Japan International Cooperation Agency, Principality of Liechtenstein, Luxembourg Ministry of Foreign Affairs, New Zealand Agency for International Development, Royal Norwegian Ministry of Foreign Affairs, Slovenian Ministry of Foreign Affairs, Swedish International Development Agency, Swedish Ministry for Foreign Affairs, Swiss Federal Department of Foreign Affairs, Turkish Ministry of Foreign Affairs, United Arab Emirates Ministry of Foreign Affairs, United Kingdom Department for International Development, United Kingdom Economic and Social Research Council, U.S. Agency for International Development.

The following institutional and private foundations have provided funding in recent years: Carnegie Corporation of New York, The Charitable Foundation, Clifford Chance Foundation, Connect U.S. Fund, The Elders Foundation, Henry Luce Foundation, William & Flora Hewlett Foundation, Humanity United, Hunt Alternatives Fund, Jewish World Watch, Korea Foundation, John D. & Catherine T. MacArthur Foundation, Open Society Institute, Victor Pinchuk Foundation, Ploughshares Fund, Radcliffe Foundation, Sigrid Rausing Trust, Rockefeller Brothers Fund and VIVA Trust.

August 2011

APPENDIX E

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