



Afghanistan Policy Brief



Berlin Conference
March-April 2004

The Cost of Doing Too Little

rebuilding the country, "Securing Afghanistan's Future."¹

The price tag for that plan is \$27.5 billion over seven years. The Afghan government will argue that this funding is not simple charity; it is an investment, both for the Afghan people and the international community. No one wants Afghanistan reverting to the top of the list of the world's failed states. *While the price tag for a more stable Afghanistan may appear high, it is nothing compared to the potentially astronomical costs of failure.*

To break the vicious cycle of persistent insecurity, a growing criminal economy, and slow reconstruction, the Afghan government believes that it needs to achieve a per capita annual income of just \$500 ten years hence.² Achieving this goal will require economic growth that is fast enough — and sufficiently equitable — to absorb those now involved in the illicit economy dominated by warlord militias and the opium trade. Families *must* be able to support themselves without growing poppies or sending their sons to fight for warlords.

While the international community can and should support this goal, the Afghan government is ultimately responsible. It must use its resources in a transparent and accountable way for the benefit of all Afghans. This places the government under a heavy obligation to reform itself and curb corruption. To achieve this objective, the international community will also have to make building the capacity of the Afghan state a priority over the coming years.

R E C O M M E N D A T I O N S

1 Donor governments and financial institutions should endorse the new \$27.5 billion needs assessment and commit to work with Afghans to refine and implement that reconstruction plan over the next seven years.

2 NATO and U.S.-led Coalition military forces can play a vital, short-term stabilizing role in Afghanistan if they focus their efforts on building Afghan security capacity and supporting key initiatives, such as police and army training and deployment, disarmament, demobilization and reintegration (DDR) of combatants, and counter-narcotics efforts.

3 The international community must do more to stop the drug economy growing. Long-term success depends on helping Afghan families increase their income through legal means. In the short-term, enforcement should focus on those involved in the financing, processing, and trafficking of opium.

4 Donor governments and international financial institutions should narrow the reconstruction funding gap by making new multi-year commitments at Berlin. For its part, the Afghan government must work to build its capacity, while ensuring the transparent and accountable use of the resources provided by the international community.

Improved Security: A Missing Ingredient

Security is the key to a more prosperous and stable Afghanistan. It will encourage private investment and permit increased commerce. It will allow the Afghan government, UN, and aid organizations to accelerate reconstruction efforts and reach the most deprived communities throughout the country. Lack of security will slow reconstruction, undermine confidence in the government, facilitate expansion of poppy production

and the criminal economy more generally, and create more favorable operating conditions for terrorist elements in Afghanistan and along its borders.

The sources of insecurity in Afghanistan include the continued activity of Taliban, al-Qa'eda and associated groups, abuses committed by commanders not under the control of the central government, conflicts between rival warlords, and armed criminal gangs. Local rivalries are increasingly being fueled by the burgeoning drug economy. Concerned about recent trends in security incidents, Lakhdar Brahimi, outgoing UN Special Representative, recently referred to "the fear that is in the heart of practically every Afghan because there is no rule of law yet in this country."³ If Afghanistan is to move forward to a new future, lifting that fear from the hearts of Afghans is essential.

Figure 1, which draws from a database of some 250 security incidents during the period from January 1, 2003 to February 15, 2004, depicts the widespread nature of insecurity in Afghanistan.⁴ Nine provinces experienced 10 or more incidents each during this period, with Kandahar in the south and Balkh in the north, at 37 and 26 respectively, reporting the largest number of incidents. While many incidents in Kandahar may be due to the Taliban, those in Balkh are primarily the work of commanders nominally allied with the government.

While the primary focus of international support to improve security in Afghanistan must be on the security of ordinary Afghans, recent trends in attacks on aid workers are very disturbing. In just the three-week period of February 14-March 6, 2004, 11 aid workers were murdered

in four separate incidents, nearly equaling the total of humanitarian fatalities in Afghanistan for all of 2003. As depicted in Figure 2, attacks on aid workers increased dramatically in 2003, peaking at 28, or nearly one attack per day, in September.⁵ Such attacks show no sign of abating in 2004, averaging 16 per month in the normally quiet months of January-February, versus just 6 in the same months of 2003. Each death is a tragedy in its own right. Each attack also imposes a heavy burden on ordinary Afghans, as such incidents inevitably lead the NGOs, UN agencies and others affected to curtail or suspend their humanitarian and reconstruction efforts.

Figure 1

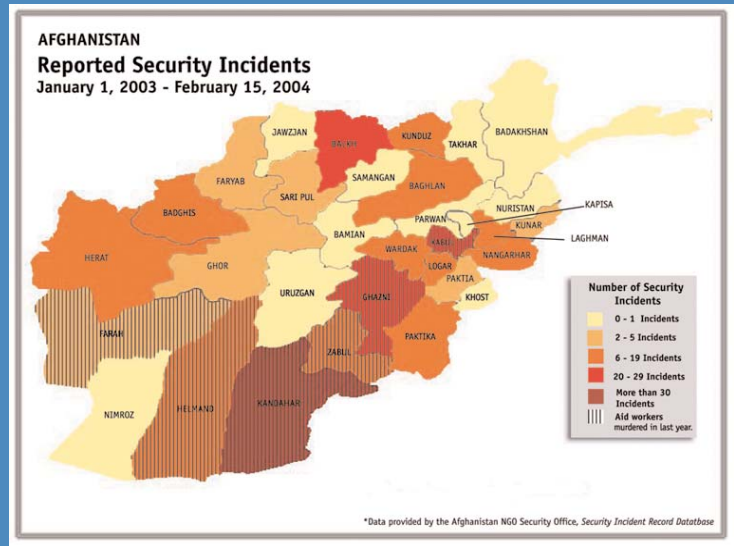


Figure 2

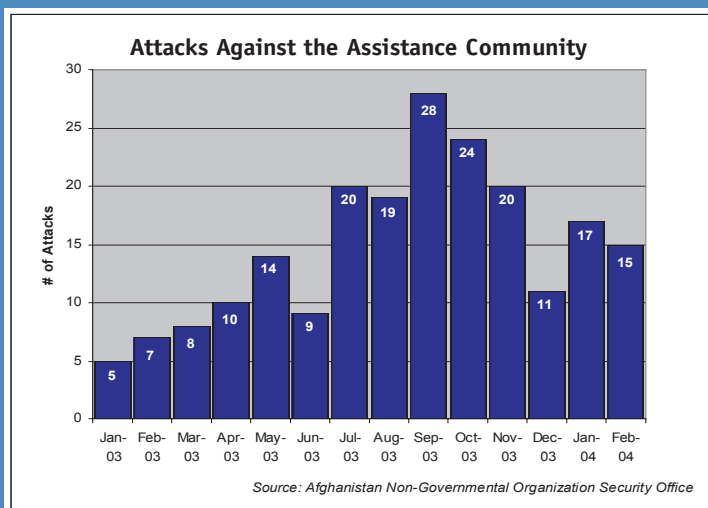


Figure 3

Afghanistan Opium Production 1990 - 2003

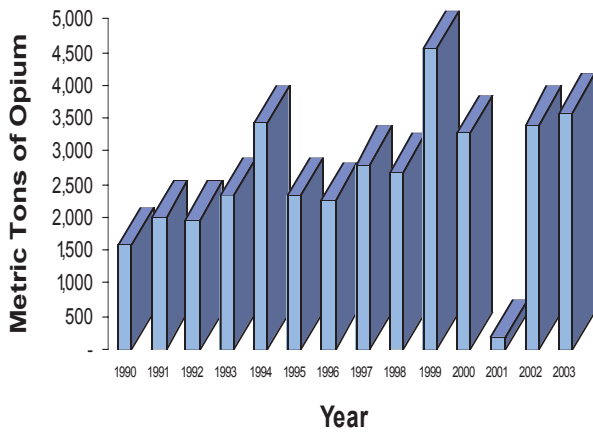
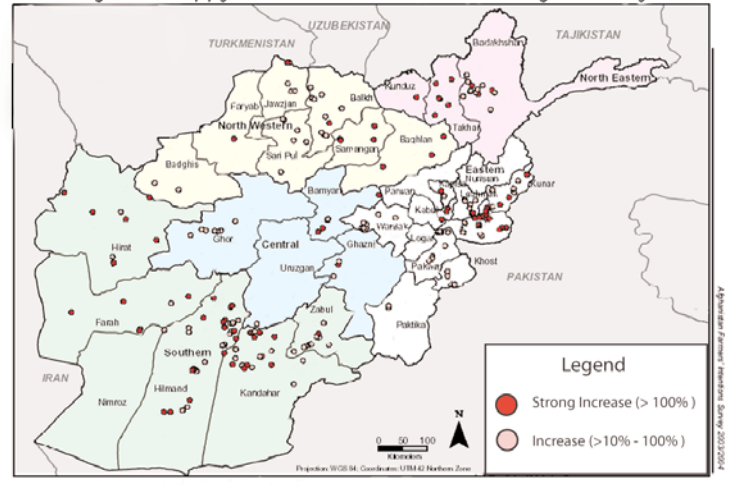


Figure 5

Afghanistan Farmer's Intention Survey: Farmers intended Changes in Poppy Cultivation in 2004 in villages surveyed



The Spreading Cancer of the Drug Economy

Drug production grew rapidly during the 1990s in the "failed state" of Afghanistan, reaching a peak in 1999 at 4,565 metric tons of opium, or nearly 80 percent of world output.⁶ (See Figure 3.) In 2000, when the Taliban banned poppy production, after years of tolerating it, Afghanistan's output fell to 185 tons, or just 12 percent of global output. Since the fall of the Taliban in late 2001, poppy production has once

again taken off, with potentially disastrous consequences for the future stability of the country.

The most recent data are alarming. (See Figure 4.) Nearly 70 percent of all farmers surveyed intend to increase their cultivation of poppy in 2004, and a majority of them intend to increase production by more than 50 percent.⁷ Those locations where increases in poppy cultivation are expected in 2004 are depicted in Figure 5. Once entrenched, this industry will become increasingly difficult to uproot and will pose a growing threat to the Afghan state over time.

Figure 4

2003

ALREADY A MASSIVE PROBLEM...

Poppy cultivation is now taking place in 28 of Afghanistan's 32 provinces.

The area under poppy cultivation was up 8% to 80,000 hectares in 2003.

Afghanistan's opium accounts for 75% of global production.

1.7 million Aghans are involved in poppy production.

Drug trade accounts for \$2.3 billion in income, more than 50% of Afghanistan's legal GDP.

FROM BAD TO WORSE:

OPIUM PRODUCTION IN AFGHANISTAN

WHICH IS RAPIDLY WORSENING...

69% of farmers surveyed intend to increase poppy cultivation in 2004.

Nearly 30% of farmers plan to more than double production.

Poppy production may involve 11,800 villages, 40% of all Afghan villages.

2004

WITH NO END IN SIGHT ...

43% of non-poppy farmers intend to start cultivating in 2004.

Poppy farmers plan to devote 40% of their land to poppy cultivation in 2004, vs. 27% in 2003.

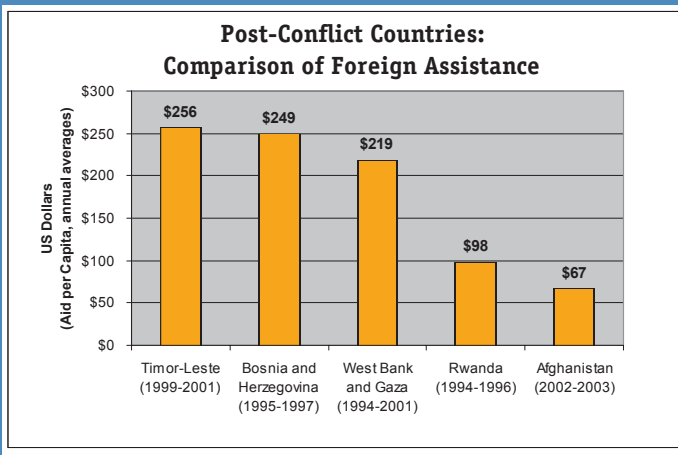
Maximizing the Chances of Meaningful Progress

Progress in Afghanistan should be defined as a viable state that can ensure sustainable security and dignified poverty for the Afghan people. Achieving that goal will require vision and determination on the part of the country's leaders and continued patience on the part of its citizens. *While success cannot be guaranteed, failure is a foregone conclusion if the international community does not fulfill its promises to assist Afghanistan in accelerating reconstruction and improving security throughout the country.*

Reconstruction: Success in Afghanistan will require more resources for reconstruction, sustained over time, and invested in the right areas. Despite the rhetorical importance with which the world claims to regard Afghanistan, actual funding levels remain astonishingly low. Over the last two years, Afghanistan has received significantly less funding on a per capita basis than other recent post-conflict countries.⁸ Funding the Afghan government's plan would raise the level of per capita assistance from \$67 to \$182 per year, still well short of the levels allocated to post-conflict situations such as East Timor, Bosnia, and West Bank/Gaza. (See Figure 6.)

How these resources are invested is just as important as the level of funding made available. "Securing Afghanistan's

Figure 6



Future" offers a detailed proposal for how the \$27.5 billion of donor resources would be utilized. That framework should be evaluated carefully against two priority requirements for sustainability:

- **An Effective State** - Without an effectively functioning state, there is no scope to improve Afghanistan's long-term prospects. State-building must be the highest priority for donor assistance over the coming years. An effective state should be complemented by a vibrant civil society, and there is increased scope for partnership between the Afghan government, donors and NGOs in building local capacity, ensuring effective service delivery, and building the confidence of communities in their future.

- **Livelihoods for Dignified Poverty** - While a high rate of growth in the legal economy should be a central goal of the government's development strategy, it is also essential that the country's development directly address the needs of the poor. Too many Afghans today have no viable alternatives to poppy cultivation and militia membership to support their families, and the cycle of insecurity cannot be broken without addressing this problem.

Security: An essential element of state-building relates to the Afghan government's ability to provide security and the rule of law. International efforts to build capacity in this area over the last two years have also fallen far short of the rhetorical commitments.⁹

The long-term solution to insecurity in Afghanistan lies in the development of effective security and judicial systems that are seen as professional and representative by the Afghan people.¹⁰ Priority activities, on which progress to date has been slow, include:

- Training and deployment of the Afghan National Police (ANP) and Afghan National Army (ANA);
- Building a judicial system capable of delivering the rule of law;
- Accelerated implementation of a nationwide disarmament, demobilization, and reintegration (DDR) program, including the cantonment of heavy weapons;
- Tackling drug factories and traffickers at the highest level.

In the short-term, foreign military forces — both the NATO-led International Security Assistance Force (ISAF) and the U.S.-led Coalition (Operation Enduring Freedom) — can play a useful role, *provided that they focus their efforts on building Afghan security capacity and supporting key initiatives, such as police and army training and deployment, DDR and counter-narcotics efforts.*

The Incalculable Cost of Failure

If Afghanistan were once again to become a failed state, the costs and consequences could be far-reaching. A World Bank study¹¹ shows that half of all countries that settle civil wars with peace agreements fall back into conflict within five years, largely because of two factors: the availability of easily looted or "taxed" resources such as narcotics, and the persistence of insecurity from unofficial and rebel armed organizations. That profile makes renewed conflict in Afghanistan dangerously probable.

Costs of A Growing Drug Trade: The illicit economy, driven by demand from the developed world and the surrounding region and supported by international organized crime, constitutes the tax base for insecurity.¹² Failure to provide adequate assistance to enable Afghanistan to marginalize the illicit economy and strengthen its institutions of governance will guarantee perpetuation of the opium industry. That industry, in turn, will cement a lobby for an ineffective State of unequal benefit but common interest among:

- Poppy farmers, who earn \$2,520 per year vs. \$670 for non-poppy farmers¹³;
- Laborers, who earn \$6.77 per day harvesting opium vs. \$3.01 for wheat¹⁴;
- Traffickers, including financiers and traders, who provide credit to poppy farmers, and warlords, terrorist and corrupt officials who "tax" poppy production, processing and trade, generating \$1.3 billion a year in profits¹⁵;
- International organized crime, which refines and markets Afghan opium through its global networks, generating an annual turnover of \$30 billion¹⁶.

Costs of Indefinite Military Engagement: Some income from opium will also continue to replenish the war chest of the Taliban and al-Qaeda. Despite their narrow base of support in Afghanistan, these organizations will be able to continue their operations in a country where the beneficiaries of the largest sector of the economy systematically resist the strengthening of the government and its security institutions. *Both directly and indirectly, then, the criminal economy will perpetuate the threat that the international community has come to Afghanistan to eradicate.* Given Afghanistan's history and neighborhood, it is likely that a significant failure to meet the needs identified in "Securing Afghanistan's Future" will force the international community to choose between either a long and costly military engagement without the prospect of exit, or leav-

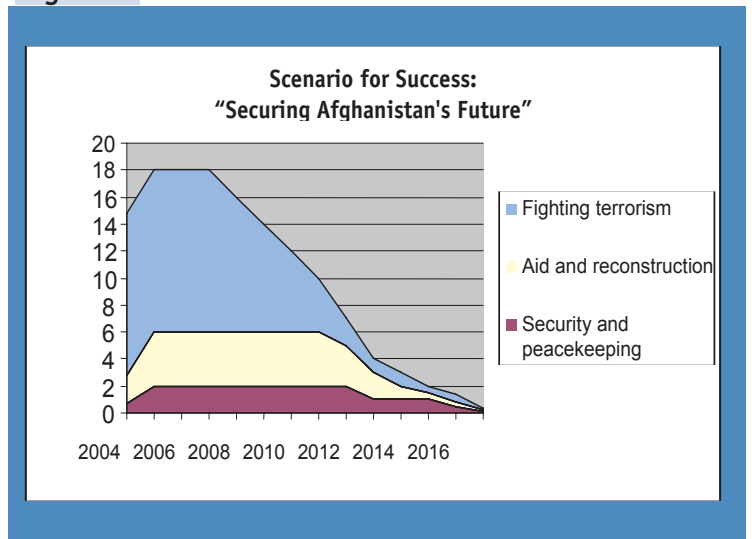
ing Afghanistan once again to the mercies of extremists, warlords, and drug traffickers. Recent experience has demonstrated that the cost of sustaining a foreign military presence in Afghanistan is expensive. Since the fall of the Taliban, the U.S. Government alone¹⁷ has spent between \$800 million and \$1 billion per month to support Operation Enduring Freedom; at \$10-12 billion per year, this works out to nearly three times the \$4 billion per year in reconstruction funding being requested by the Afghan government.

Figure 7



In conclusion, the long-term costs of failure in Afghanistan are likely to greatly outweigh the short-to-medium-term costs of increased investments in reconstruction and peacekeeping.¹⁸ Current levels of support are likely, at best, to maintain Afghanistan as an insecure and a perpetual economic ward of the international community. Failure to at least maintain current levels of international support risks tipping the country decisively toward state failure, with all the inherent costs of it becoming once again a haven for terrorists. *Only a significant increase in attention and resources over the next 5-10 years offers ordinary Afghans hope for a brighter future and the international community a viable exit strategy.* (See Figure 8.)

Figure 8



Endnotes

1 "Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward," Government of Afghanistan, Ministry of Finance, Consultation Draft, January 29, 2004.

2 "Dignified poverty" is defined in the Afghan Government's plan as a target per capita income of \$500 in ten years time.

3 Closing remarks to the Constitutional Loya Jirga, January 2004.

4 Afghanistan NGO Security Office (ANSO), ANSO Security Incident Record Database, as of February 15, 2004. The incidents in this database cover a wide spectrum of attacks, violent clashes, and threats, including the murder of aid workers, vehicle hijackings, assaults on aid convoys and offices, use of explosive devices, factional fighting, armed robbery, assault, kidnapping and detention of aid workers, and threats (including night letters) against aid workers and local officials. By virtue of the large population and substantial international presence in Kabul, the number of incidents reported for Kabul province is among the highest in the country at 23. This may tend to overstate the degree of security threat in Kabul, as many of the reported incidents took the form of threats rather than attacks.

5 The source of data on such attacks is the weekly ANSO security reports. Attacks against aid workers are defined as incidents involving armed confrontation targeting UN, Red Cross, NGOs and aid contractors. It does not include burglaries, threatening "night letters", corruption or other non-violent incidents.

6 All data on poppy production and the drug trade in Afghanistan are sourced from documents of the United Nations Office on Drugs and Crime (UNODC), in particular: "Afghanistan Opium Survey 2003", October 2003; and "Afghanistan Farmers' Intentions Survey 2003/2004", February 2004.

7 UNODC "Afghanistan Farmers' Intentions Survey 2003/2004," February 2004, page 10.

8 "Islamic State of Afghanistan: Rebuilding a Macroeconomic Framework for Reconstruction and Growth," IMF Country Report No. 03/299, September 2003, page 16. "The level of foreign assistance Afghanistan has received so far appears to be on the low side compared to other recent post-conflict cases."

9 For more detailed argumentation on the "security gap" in Afghanistan, please see previous CARE policy briefs, including "A New Year's Resolution to Keep: Secure a Lasting Peace in Afghanistan," January 2003. Also see the joint CARE-CIC brief of September 2003, entitled "Good Intentions Will Not Pave the Road to Peace."

10 One mechanism created to support efforts in this area is the Law and Order Trust Fund for Afghanistan (LOTFA). According to Afghan Government data, less than \$46 million has been committed by donors to this fund to date,

against a target of \$115 million. Donors to this fund include the World Bank, Germany, Britain, Norway, Finland, Ireland, Denmark, Canada, Switzerland, and the European Commission. The U.S. Government has not made any commitments to LOTFA.

11 "On the Duration of Civil War", Paul Collier, Anke Hoeffler and Mans Soderbom, World Bank, May 2001.

12 For a fuller treatment of this and other issues covered in this policy brief, please see "Building a New Afghanistan: The Value of Success, the Cost of Failure," March 2004, by Barnett R. Rubin, Abby Stoddard, Humayun Hamidzada and Adib Farhadi, Center on International Cooperation, New York University, in cooperation with CARE.

13 UNODC, "Afghanistan Farmers' Intentions Survey 2003/2004, February 2004, pages 38-39.

14 UNODC, "Afghanistan Farmers' Intentions Survey 2003/2004, February 2004, pages 40-41.

15 UNODC, "Afghanistan Opium Survey 2003," October 2003, page 5.

16 UNODC, "Afghanistan Opium Survey 2003," October 2003, page 5.

17 This data comes from official U.S. Government sources and records and does not include the costs incurred by U.S. allies participating in Operation Enduring Freedom, nor the costs of the International Security Assistance Force (ISAF), currently led by NATO.

18 "Building a New Afghanistan: The Value of Success, the Cost of Failure," March 2004, by Barnett R. Rubin, Center on International Cooperation, New York University, in cooperation with CARE.

19 IMF Country Report No. 03/299, page 18.

KEY FINDINGS

1. Persistent insecurity, rapid growth of the drug economy, and the slow pace of reconstruction are mutually reinforcing factors working against a more stable and prosperous future for the Afghan people.

2. Insecurity continues to cripple economic and political progress in Afghanistan. Efforts to build the capacity of the Afghan state to provide for the security of its own people must be accelerated.

3. The drug economy is becoming an increasingly powerful force working against the establishment of effective governance and security in Afghanistan.

4. Current levels of international investment in Afghan reconstruction remain low in relation to other post-conflict settings. While success cannot be guaranteed, failure is a foregone conclusion if the international community does not fulfill its promises to assist Afghanistan in accelerating reconstruction and improving security throughout the country.

5. The consequences of under-funding reconstruction and security will be catastrophic both for the Afghan people and the international community.

*"Without continued and substantial foreign assistance over several years to come, Afghanistan could run the risk of becoming a country that remains dependent on foreign aid, with large parts of the population remaining poor. Or worse, the country could descend into a downward spiral of violence, criminal activity, and widespread corruption financed by the proceeds from opium production."*¹⁹

Source: IMF



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Courtesy UNHCR, 2003.

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