



AFGHANISTAN BEYOND 2014

Aid and the Transformation Decade

AUTHOR:
Lydia Poole

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EXECUTIVE SUMMARY

Afghanistan has been the focus of large international aid and security investments since the US-led military intervention of 2001. This report tracks three major areas of international spending that have a direct bearing on the daily lives of Afghan people: humanitarian, development and security spending. It also considers the domestic economic outlook and the choices donors face in recalibrating their partnerships and investments to protect and build on hard-won development and security gains made since 2001.

There have been many major milestones in 2014, including elections culminating in the inauguration of a new president, as well as significant withdrawals of international troops and the beginning of a new non-combat role for foreign military actors. Afghanistan is now on the cusp of what has been termed the 'Transformation Decade' spanning from 2015 to 2024. This period of transition brings with it a great deal of uncertainty about the future, including the nature of international donor support and the ability of the Afghan state and economy to meet its financing needs.

There have been important improvements in some basic development indicators in the past decade, notably access to basic health services, which reached 82% of the population in 2012. These gains, however, have been hard won and remain fragile. National poverty rates have remained stagnant despite years of economic growth, while inequality has grown, and insecurity, widespread displacement and persistent humanitarian needs remain a fact of life for many Afghans. Against this backdrop, international donor humanitarian, development and security spending has played a significant, but mixed, role.

As humanitarian needs over the past decade have persisted, but varied in scale, investments in funding and coordinating a needs-based humanitarian response have fluctuated. Volumes of funding have gone from a high of US\$1.1 billion in 2002 to a low of US\$340 million in 2005, to an estimated US\$495 in 2013. Challenges to the response have included a lack of coordinated funding mechanisms and the channelling of humanitarian assistance through military actors. There do, however, appear to be improvements; levels of humanitarian assistance channelled through the military have dropped to US\$8 million in 2012, down from a high of US\$125 million in 2008. The humanitarian community in Afghanistan has also come a long way in the past five years to build the case and capacity for principled

needs-based humanitarian funding. Donors now have opportunities to support needs-based financing, including through a more rigorous and evidence-based coordinated appeal and a country-based common humanitarian fund.

In contrast to humanitarian assistance, which has been volatile and unpredictable, Afghanistan has experienced steady growth in development assistance. Indeed, it has been the world's leading recipient of development assistance since 2007 (see Annex 2). Development assistance to Afghanistan has steadily increased from US\$1.1 billion in 2002 to US\$6.2 billion in 2012, with spending dominated by governance and security investments.

Major donors have made commitments to maintain (Germany, the UK, EU institutions, Norway and Sweden) or increase (Australia, Finland and France) current levels until at least 2016, but the outlook for development assistance is hard to predict over the Transformation Decade. There are undoubtedly risks associated with a potential reduction in development assistance, but there may also be opportunities to reset aid relationships and practices in Afghanistan. This could ultimately lead to more sustainable development partnerships focused on supporting the needs and priorities of Afghan citizens and building their resilience in the face of recurrent humanitarian crises.

Donors have also repeatedly declared their intention to spend 50% of funds 'on budget' and 80% aligned with Afghan national priorities. In reality, due to concerns about capacity and corruption, the actual amounts are significantly lower. For example, in 2011, 82% was spent 'off budget'. Strengthened commitments to accountability among donors, following the 2012 Mutual Accountability Framework, could give renewed momentum to developing practical approaches to address corruption and improve transparency.

Since 2011, the primary site of international expenditure in Afghanistan has consistently and overwhelmingly been security. When international troop levels were at their peak at 132,000 in 2011, spending on the two international military operations – the NATO-led International Security Assistance Force (ISAF) and US-led Operation Enduring Freedom (OEF) – reached US\$129 billion. International spending on security has shifted in emphasis towards supporting the Afghan National Security Forces in anticipation of the wind-down of the international troop

presence. Currently the security sector, which has an estimated annual cost of US\$6 billion, is heavily supported by international donors, but the future of this funding is uncertain. Peace and security in the Transformation Decade depend to a large degree on international donors maintaining this support to the large domestic security forces that they have helped to build.

At the same time, the Government of Afghanistan has committed to contribute a rising share of domestic security costs until 2024, when it will assume full financial responsibility. The financing outlook for the security sector and indeed the ability of the government to meet its wider financing requirements remains uncertain at this stage. The need to maintain the large security sector could crowd out other areas of government spending. In 2013, for example, recurrent security spending grew to 10.7% of GDP compared with 10.2% in 2012, while civilian recurrent expenditure fell to 6.6% of GDP in 2013 from 6.8% in 2012. Moreover, with low levels of foreign investment (US\$94 million in 2012) and an economy dominated by small-scale agricultural production, the government is unlikely to meet commitments to take greater responsibility for financing its own recurrent budgets. The rate of economic growth in Afghanistan also slowed considerably in 2013, despite considerable improvement the previous decade. This growth has masked longer term structural economic problems, with domestic budget revenues supported by international grants rather than improvements in domestic revenue collection.

During the Transformation Decade, donors can play a vital role in helping to build much-needed confidence in the Afghan economy and in the government's capacity to govern and ensure security by: honouring their aid pledges; renewing their longer term commitments to development partnerships; and ensuring predictable and sustained financial support to the security sector. There are risks associated with the international security scale-down and probable changes in the nature of development partnerships, but there are also opportunities. This juncture is an ideal time for international donors to recalibrate their future investments in Afghanistan. For example, a rebalancing of priorities could open up opportunities for donors to focus development investments on poverty reduction, inclusive economic growth and resilience to shocks, at the same time as they pursue security and stabilisation objectives.

INTRODUCTION

Afghanistan has been the focus of significant international humanitarian, development and security investments since the US-led intervention of 2001. The country received US\$50.7 billion in official development assistance (ODA) between 2002 and 2012, including US\$6.7 billion in humanitarian assistance. However, investments in reconstruction, development and humanitarian assistance pale in comparison to the cost of foreign military operations and support to building the security forces in Afghanistan, which are estimated to have cost more than US\$130 billion in 2012 alone (see Figure 1).

Afghanistan is rapidly moving towards the end of a transition period, which involved the formal handover of security responsibilities to the Government of the Islamic Republic

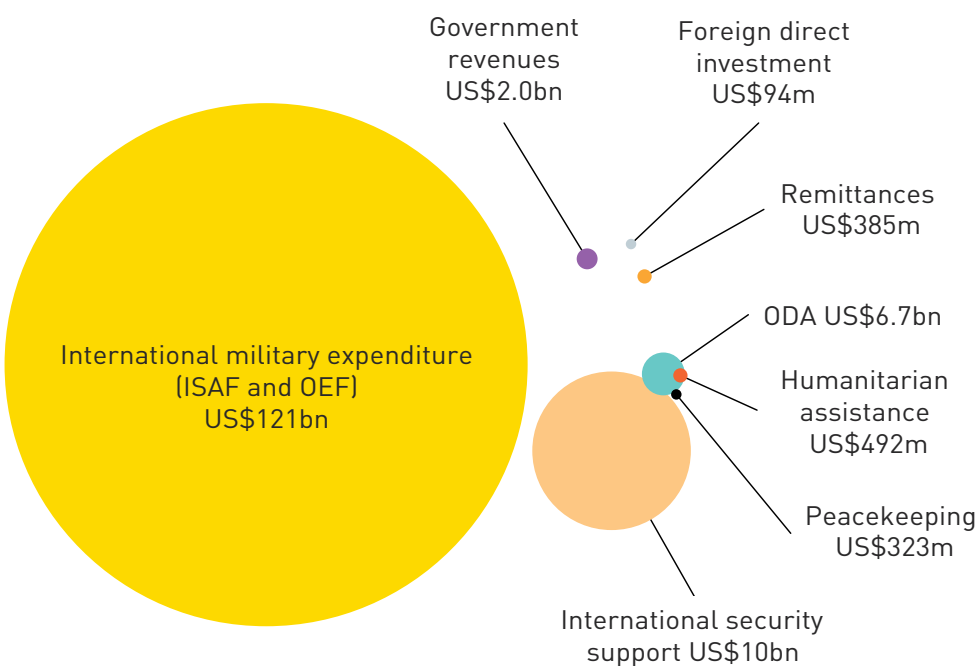
of Afghanistan (herein abbreviated to, 'Government of Afghanistan') in 2013; the presidential election process, which ended in September 2014; and the planned withdrawal of a large number of foreign combat troops by the end of 2014. Whilst the recent Bilateral Security Agreement allows some NATO and US troops to remain, reductions are planned and 2014 marks the advent of a new chapter in which Afghans will take responsibility for managing internal security and charting their own development progress.

But the transition is overshadowed by political, economic and security uncertainty. Confidence in the economy has faltered and the fiscal gap in government revenues has widened. Despite billions of dollars of international investments during the past 13 years, Afghanistan faces a daunting array

of security and development challenges and will continue to require considerable external assistance. Meanwhile, the scale and nature of international support available to Afghanistan as it approaches the Transformation Decade remains uncertain.¹

This report tracks three major areas of international spending that have a direct bearing on the daily lives of Afghan people: humanitarian, development and security spending. It also considers the domestic economic outlook and the choices donors face in recalibrating their partnerships and investments to protect and build on hard-won development and security gains made since 2001.

FIGURE 1: MAJOR RESOURCE FLOWS IN AFGHANISTAN IN 2012



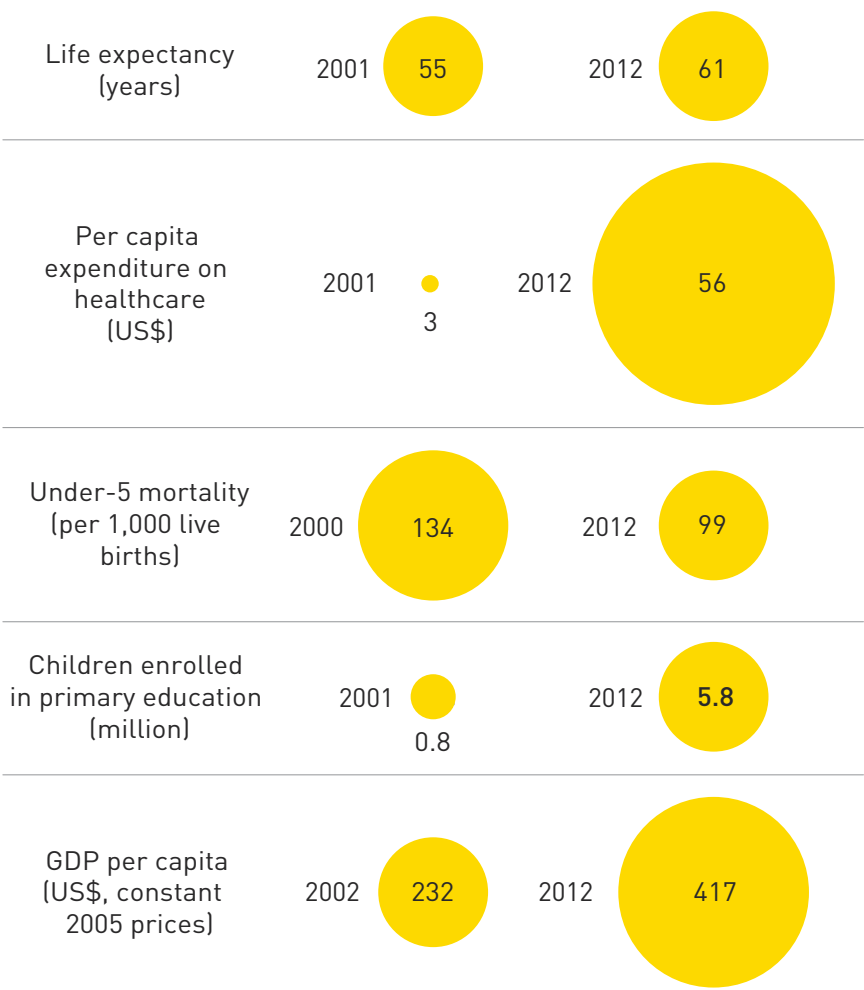
Source: Development Initiatives based on data from the World Bank, the Stockholm International Peace Research Institute (SIPRI), the UN Department of Peacekeeping Operations (DPKO), the EU, the US government, and the OECD DAC. Government revenues (page 22) is the total figure excluding grants taken from the World Economic Outlook database. Data is taken from the World Economic Outlook Database downloaded in April 2014. Foreign Direct Investment (page 23) and remittances are taken from the World Bank database. The overall figure for remittances is taken from the World Bank database. The overall ODA figure (pages 14-16) is downloaded from the OECD DAC Creditor Reporting System (CRS) database. Humanitarian assistance (page 9) is calculated by Development Initiatives based on OECD DAC, UN Central Emergency Response Fund (CERF) and UN OCHA Financial Tracking Service (FTS) data. The majority of humanitarian assistance will also be reported as ODA, leading to an overlap between ODA and humanitarian assistance. Peacekeeping (page 26) includes the budget for the United Nations Assistance Mission in Afghanistan (UNAMA) and the EU Police Mission in Afghanistan (EUPOL). Up to 7% of a country's assessed contributions to UN peacekeeping is ODA eligible as well as certain aspects of UN-approved peace operations, including monitoring or training of police officers. Therefore a proportion of the peacekeeping circle overlaps with the ODA circle. International military expenditure (page 20) includes the common costs and budget as well as the troop-contributing country expenditure for the US-led Operation Enduring freedom (OEF) and the NATO-led International Security Assistance Force (ISAF) operations. International security support (page 17) includes US Department of Defense (DoD) contributions to the Afghanistan Security Forces Fund, other DoD bilateral security support and other donor contributions to the Afghanistan Law and Order Trust Fund (LOTFA). A small proportion of this security support could be ODA eligible, therefore there is some overlap with the ODA circle. For a definition of foreign direct investment, ODA and humanitarian assistance see Definitions and sources on page 25.

HUMANITARIAN AND DEVELOPMENT SITUATION

Despite the many political, economic and security challenges facing Afghanistan, there have been improvements in important development indicators since 2001 (see

Figure 2). Countervailing trends, including rising inequality, insecurity and human vulnerability to crisis, threaten to reverse fragile gains.

FIGURE 2: INDICATORS OF DEVELOPMENT PROGRESS IN AFGHANISTAN



Sources: Development Initiatives based on data from UNICEF, World Health Organization (WHO), World Bank. Data included for 2001 and 2012 or nearest year available. See definitions and sources section for full references.

Modest development gains

Notable progress has been made in increasing access to basic services. Per capita expenditure on healthcare, for example, increased from just US\$3 in 2001 to US\$56 in 2012, meaning that 82% of people had access to a basic package of health services in 2012. Less than a million Afghan children were enrolled in primary education in 2001, but by 2012 that figure had

risen to 5.8 million. Life expectancy has also increased, from just 55.3 years in 2001 to 60.5 years in 2012, the latest year for which data is available. These are major achievements, but national figures may mask slower progress in some parts of the country. Significant challenges remain, not least that national poverty levels remain largely

unchanged while inequality has widened. The most recent survey indicates that the national poverty rate in 2011–12 remained at 36%, showing no improvement on 2007–8 levels despite a decade of robust economic growth up to the time of security handover and troop withdrawal. Inequality increased during the same period; the Gini coefficient rose from 29.7 in 2007–8 to 31.6 in 2011–12.²

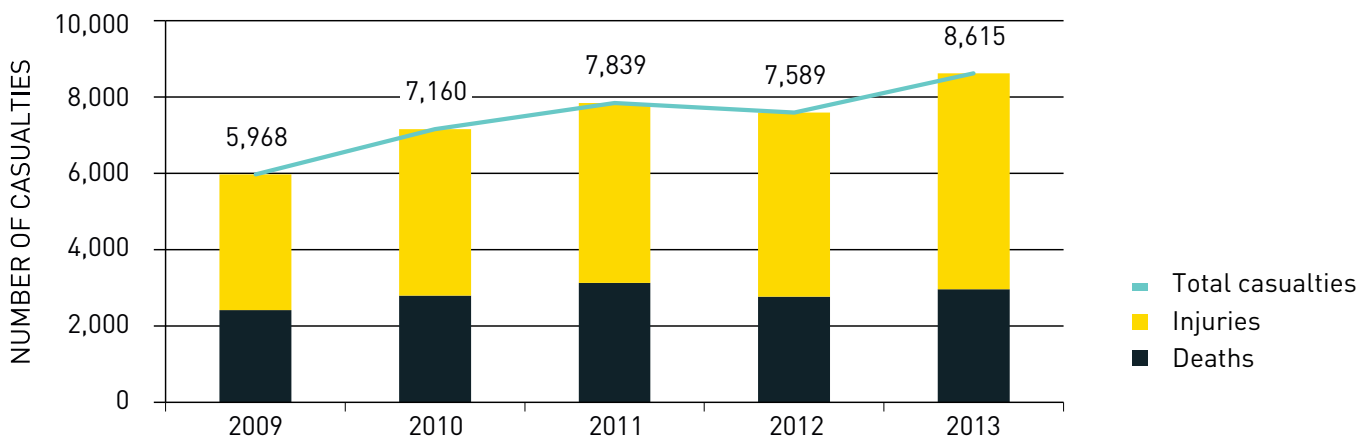
Persistent humanitarian needs

Despite improvements in some development indicators, many Afghans remain acutely vulnerable to shocks arising from conflict, insecurity and natural hazards.³

Conflict intensified following the 2009–10 international troop ‘surge’ and civilian casualties increased correspondingly (see

Figure 3). The insecurity in 2013 is also noted to have changed in character, increasingly being fought in civilian settings.⁴ Civilian casualties continued to increase in 2013, up by 14% overall, with sharp rises in the number of casualties among women and children (36% and 34% respectively) compared with the previous year.

FIGURE 3: NUMBER OF RECORDED CIVILIAN CASUALTIES, 2009–2013

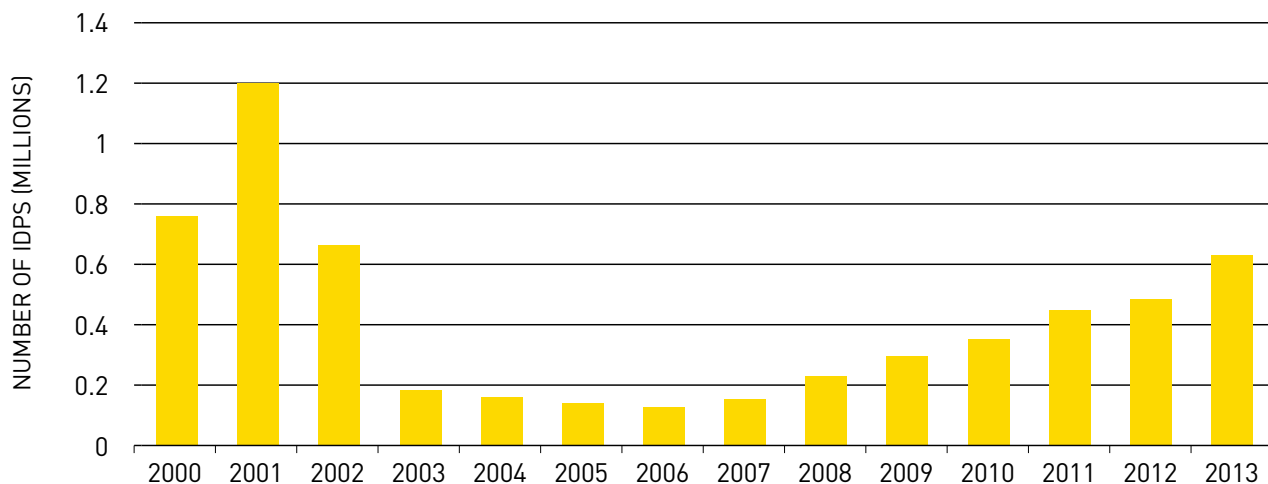


Source: Development Initiatives based on data from the United Nations Assistance Mission in Afghanistan (UNAMA)

The number of Afghans displaced from their homes internally fell dramatically in the early years of foreign intervention but has risen steadily since 2006 (see Figure 4). In January 2014, there were an estimated 2.6 million

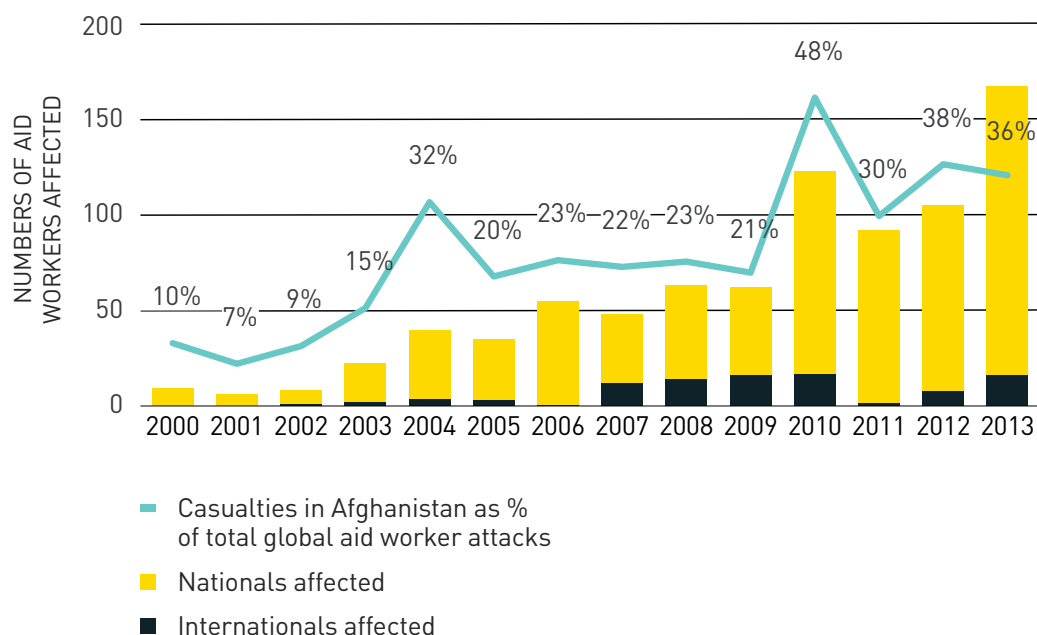
Afghan refugees living outside the country and more than 600,000 internally displaced people,⁵ many of whom have moved to towns and cities, swelling the numbers of the urban poor.

FIGURE 4: TOTAL IDP POPULATION, 2000–2013



Source: Development Initiatives based on data from the UNHCR Statistical Online Database. Accessed 28 September 2014.

FIGURE 5: NUMBER OF ATTACKS ON HUMANITARIAN WORKERS IN AFGHANISTAN, 2000–2013



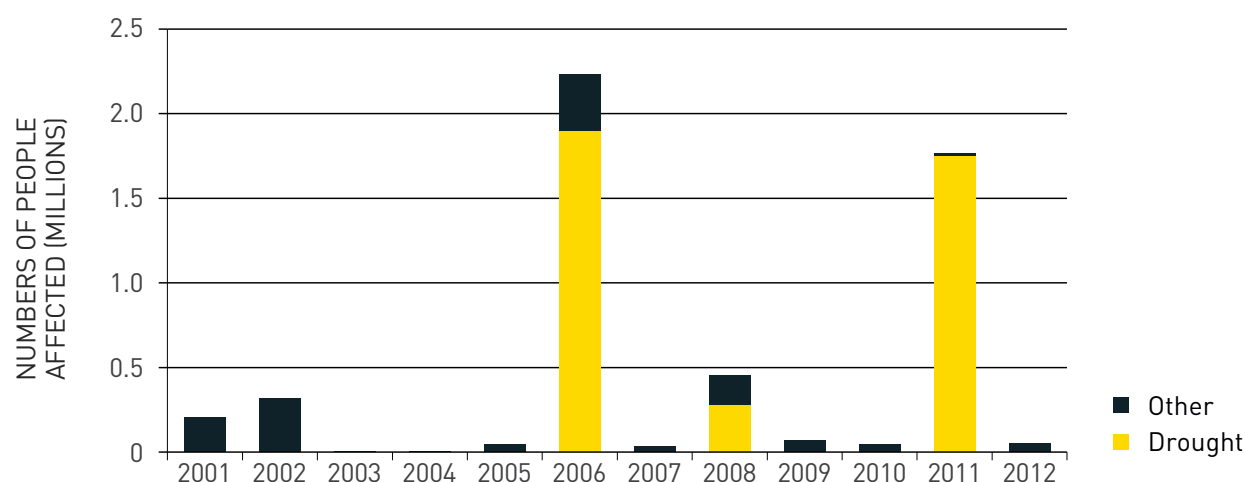
Source: Development Initiatives based on data from the Humanitarian Outcomes (2014), Aid Worker Security Database.

Insecurity also affects the ability of humanitarian actors to assess and assist affected populations, and Afghanistan has seen a sharp increase in the number of violent attacks on humanitarian workers in recent years (up by 59% in 2013 – the most violent year on record for humanitarian workers) (see Figure 5).

Insecurity is the main driver of humanitarian needs in Afghanistan, but people are also highly vulnerable to natural disasters, and frequently experience drought, flooding, earthquakes, avalanches and landslides. Between 2001 and 2012, 3.9 million Afghans were affected by drought, and in acute years more than 10% of the population was

affected by natural disasters (see Figure 6). It is likely that there were many small-scale, localised disasters that are not captured in the available statistics, but which may nonetheless have had catastrophic consequences on the lives and livelihoods of at-risk populations.

FIGURE 6: POPULATION AFFECTED BY NATURAL DISASTERS, 2000–2012



Source: Development Initiatives based on data from the EM-DAT: The OFDA/CRED International Disaster Database Data version: v12.07. Note 'other' includes extreme temperature, flood, epidemic disease, mass movement (wet), earthquake and storm.

THE INTERNATIONAL HUMANITARIAN RESPONSE

Humanitarian assistance has a troubled history in Afghanistan. It has, at times, been sidelined, instrumentalised by, or conflated with the agendas of foreign political and security actors – many of whom have been simultaneously active participants in the conflict and major humanitarian and development efforts. Between 2003 and 2012, more than three-quarters (78%) of humanitarian funds were provided by

governments who also contributed troops to the NATO-led International Security Assistance Force (ISAF). Among the top 10 donors, only the EU institutions and Japan did not participate militarily in ISAF.⁶ During the past five years, however, implementing agencies and donors have put in place a series of measures to strengthen needs-based humanitarian response, and are increasingly advocating investments to build

resilience and domestic response capacity.

In 2002, Afghanistan received a significant influx of humanitarian funding (US\$1.1 billion) in the immediate aftermath of the intervention. Funding levels dropped rapidly over the next year, then continued to drop for a further 3 years, reaching a low point in 2005 (see Figure 7).

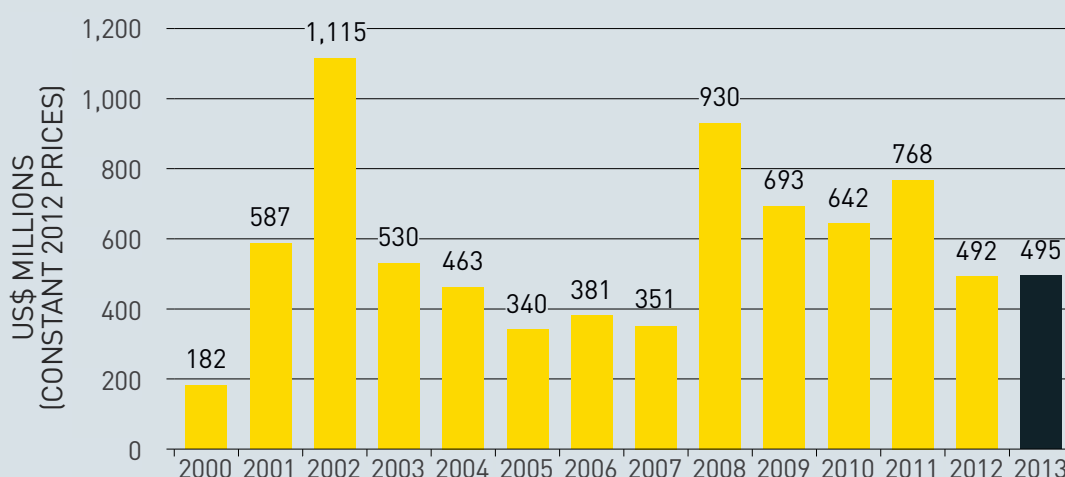
TABLE 1: TOP 10 HUMANITARIAN ASSISTANCE DONORS TO AFGHANISTAN, 2008–2012

2008 (US\$ millions)		2009 (US\$ millions)		2010 (US\$ millions)		2011 (US\$ millions)		2012 (US\$ millions)		10-YEAR TOTAL 2003–2012 (US\$ millions)	
US	230	US	160	Japan	183	US	262	US	142	US	1,495
EU Institutions	209	Australia	92	US	139	Japan	145	Japan	85	EU Institutions	691
Australia	124	Germany	72	Germany	65	Germany	64	Germany	59	Japan	528
Germany	86	EU Institutions	64	EU Institutions	54	EU Institutions	60	EU Institutions	46	Germany	521
Spain	62	Netherlands	48	Spain	25	Canada	40	Italy	25	Australia	407
UK	57	Spain	31	Norway	24	Australia	32	Sweden	21	Norway	336
Japan	53	Japan	28	Canada	22	Denmark	26	UK	20	UK	248
Norway	44	Sweden	24	Sweden	22	Sweden	25	Norway	19	Netherlands	246
Canada	42	UK	22	UK	21	Spain	21	Denmark	17	Sweden	218
France	40	Italy	22	Denmark	15	Norway	17	Finland	15	Spain	216

Source: Development Initiatives based on OECD DAC, UN CERF and UN OCHA FTS data.

Fluctuating financing

FIGURE 7: TOTAL INTERNATIONAL HUMANITARIAN ASSISTANCE TO AFGHANISTAN



Source: Development Initiatives based on OECD DAC, UN Central Emergency Response Fund (CERF) and UN OCHA Financial Tracking Service (FTS) data. Data for 2013 based on OCHA FTS data only and is included for indicative purposes.

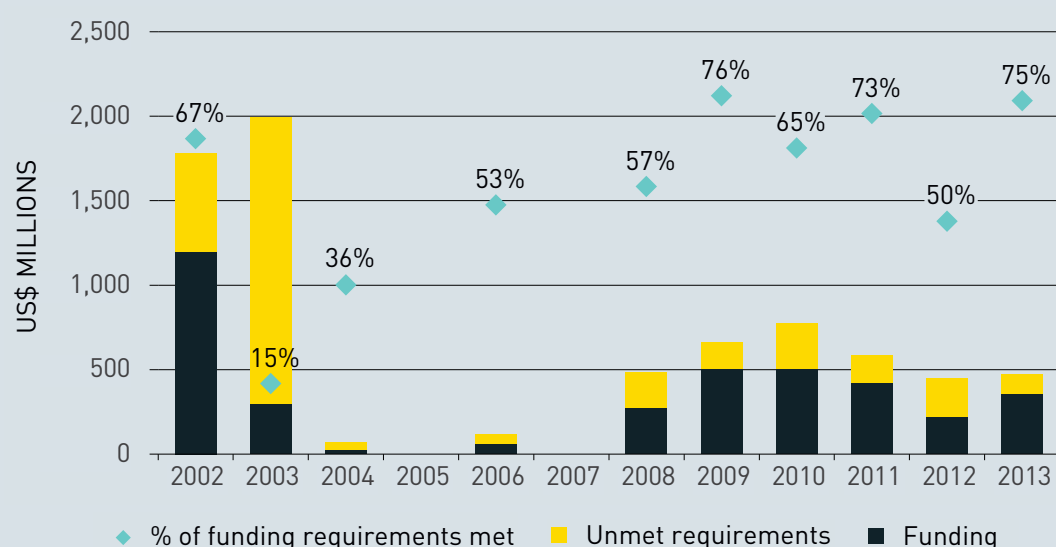
The humanitarian response in Afghanistan declined shortly after the military intervention, overshadowed by a powerful policy drive towards reconstruction, development and stabilisation. Afghanistan was declared to be in a 'post-conflict' phase. The UN Office for the Coordination of Humanitarian Affairs (OCHA) was closed

down in 2002; subsequently, Afghanistan featured only sporadically in UN-coordinated appeals for several years (see Figure 8).⁷

This combination of low priority and low visibility of the humanitarian crisis contributed to the decline in humanitarian funding levels. They only started to pick up

again in 2008, when the global food price crisis, natural disasters and increasing insecurity drove a spike in humanitarian needs and placed Afghanistan's humanitarian crisis back on the agenda of international donors.

FIGURE 8: UNITED NATIONS COORDINATED APPEALS FOR AFGHANISTAN, 2002–2013



Source: Development Initiatives based on data from the UN OCHA FTS. Note that the 2003 and 2004 appeals were classified as an 'other' appeal and that the 2004 and 2006 appeals were flash appeals for the drought crisis only. 2008 values include the sum of two separate appeals for the food price crisis, the second of which ran from June 2008 to July 2009.

UNITED NATIONS COORDINATED APPEALS TERMINOLOGY

The UN has led a variety of coordinated inter-agency funding appeal processes that involve multiple organisations appealing jointly for funds for the same crisis.

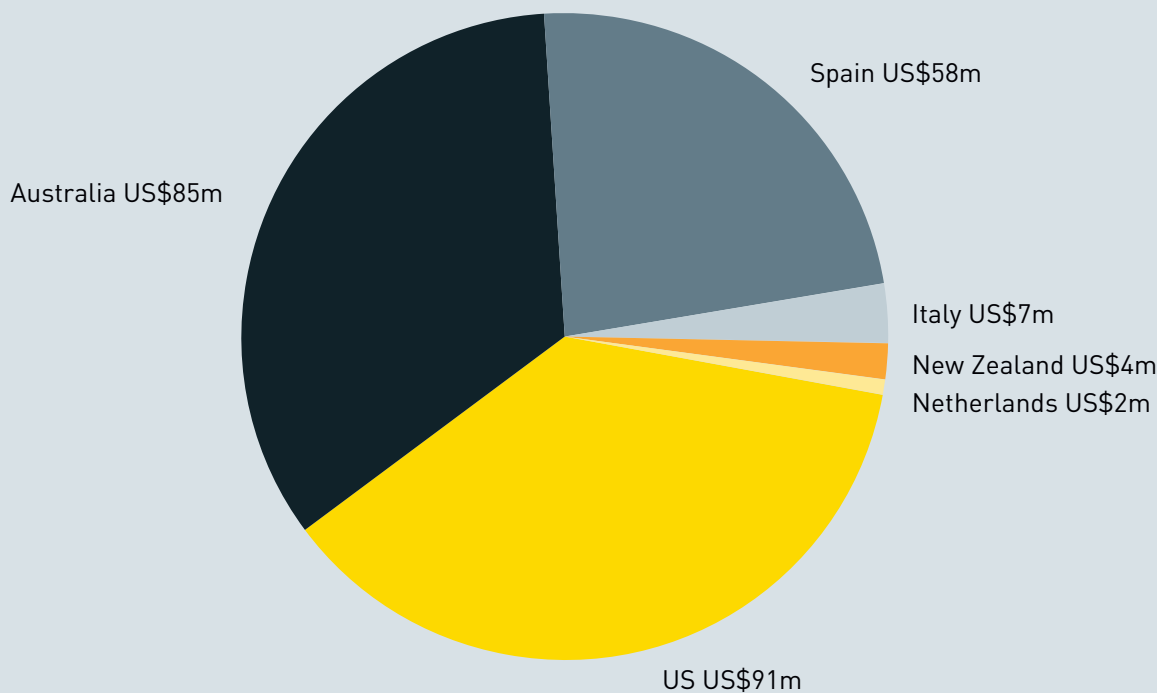
Participation in the UN-coordinated appeals process raises the visibility of funding needs and provides prospective donors with a clear analysis of the amount of funding required and how it may be channelled. For more predictable crises, strategic response plans (SRPs) (formerly consolidated appeals) are developed.

Flash appeals were issued to plan a response and mobilise funds for unforeseen emergencies, typically for the

first three to six months of a response. Flash appeals are also expected to be replaced by SRPs under the new coordinated planning system.

Under the system to date, appeals that followed similar joint planning processes, but which were not officially SRPs or flash appeals, were often referred to as 'other' appeals. These were of lower visibility and were not included in the overall amount of funds the UN's Emergency Response Coordinator put before the donor community when the UN-coordinated appeals were launched each year.

FIGURE 9: DONORS CHANNELLING HUMANITARIAN ASSISTANCE VIA MILITARY ACTORS, 2008–2012



Source: Development Initiatives based on OECD DAC CRS data.

Achieving a coordinated financing response in Afghanistan has been challenging in the absence of coordinated planning and appeals, and also because significant volumes of humanitarian funds have been channelled via actors who may operate outside of the humanitarian mainstream. Between 2008 and 2013, an aggregate of 40% of funds reported to the OCHA FTS have flowed outside the appeals, although this figure fluctuates significantly year on year.

In addition to funds channelled outside of the appeal captured by the OCHA FTS, at times large volumes of ‘humanitarian’ funds have been channelled to Afghanistan via donor military actors, including Provincial Reconstruction Teams (PRTs). The US (US\$91 million), Australia (US\$85 million) and Spain (US\$58 million) have provided the largest reported humanitarian contributions via military actors between 2008 and 2012 (see Figure 9). It is likely that the full extent of

humanitarian funding via military actors has been under-reported or inaccurately reported by donors over the years.⁸ However, even factoring this in, the volume of humanitarian funding via military actors appears to have fallen off sharply in the past few years (see Figure 10).

FIGURE 10: HUMANITARIAN FUNDS CHANNELLLED VIA MILITARY ACTORS, 2008–2012 (US\$ MILLIONS, CONSTANT 2012 PRICES)



Source: Development Initiatives based on OECD DAC CRS data.

Strengthening needs-based humanitarian financing

With the re-establishment of OCHA's presence in Afghanistan in 2009, the humanitarian community began to build up its capacity to develop a more comprehensive assessment of humanitarian needs, a coordinated response plan and a common platform from which to advocate for access and adequate funding. For example, there have been regular UN-coordinated appeals for Afghanistan since 2009 as well as initiatives such as the Afghanistan

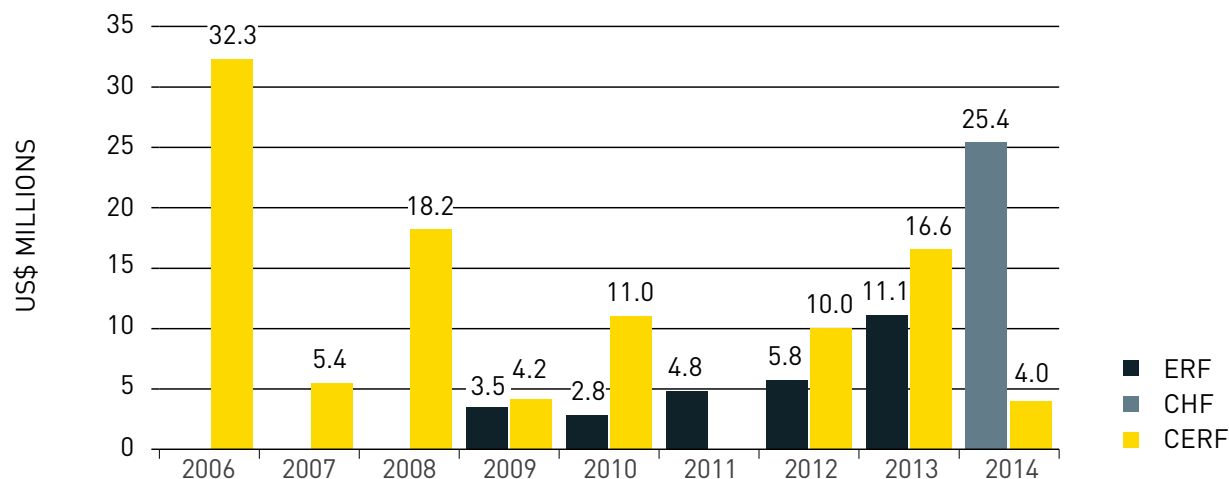
humanitarian risk register (see box, right) to strengthen the evidence base and analysis of risk, vulnerability and needs, and inform the prioritisation of geographic regions and volumes of funding requested. During the past five years, there has also been growing interest among the humanitarian donor community in strengthening the capacity for principled, evidence-based and coordinated humanitarian action in Afghanistan.⁹

THE AFGHANISTAN HUMANITARIAN RISK REGISTER

The Humanitarian Country Team in Afghanistan developed a risk register to assist in identifying the likelihood and impact of selected emergency risks in the country. The risk register is a composite index of existing data on risk factors, which produces an analysis of relative levels of existing risk by province as well as an indication of the likely escalation of risk.

The register is updated twice yearly and works in tandem with regular monitoring against a set of agreed minimum preparedness actions that track readiness for emergencies.¹⁰

FIGURE 11: HUMANITARIAN FINANCING CHANNELLED VIA POOLED HUMANITARIAN FUNDS, 2006–2014*



Source: Development Initiatives based on data from the UN OCHA FTS and UN CERF. Note that values for the ERF and CHF are new donor contributions and do not correspond with volumes allocated to projects in that year. CERF funds are allocations from the global CERF. CHF contributions in 2014 include commitments. *Data as at 2 October 2014.

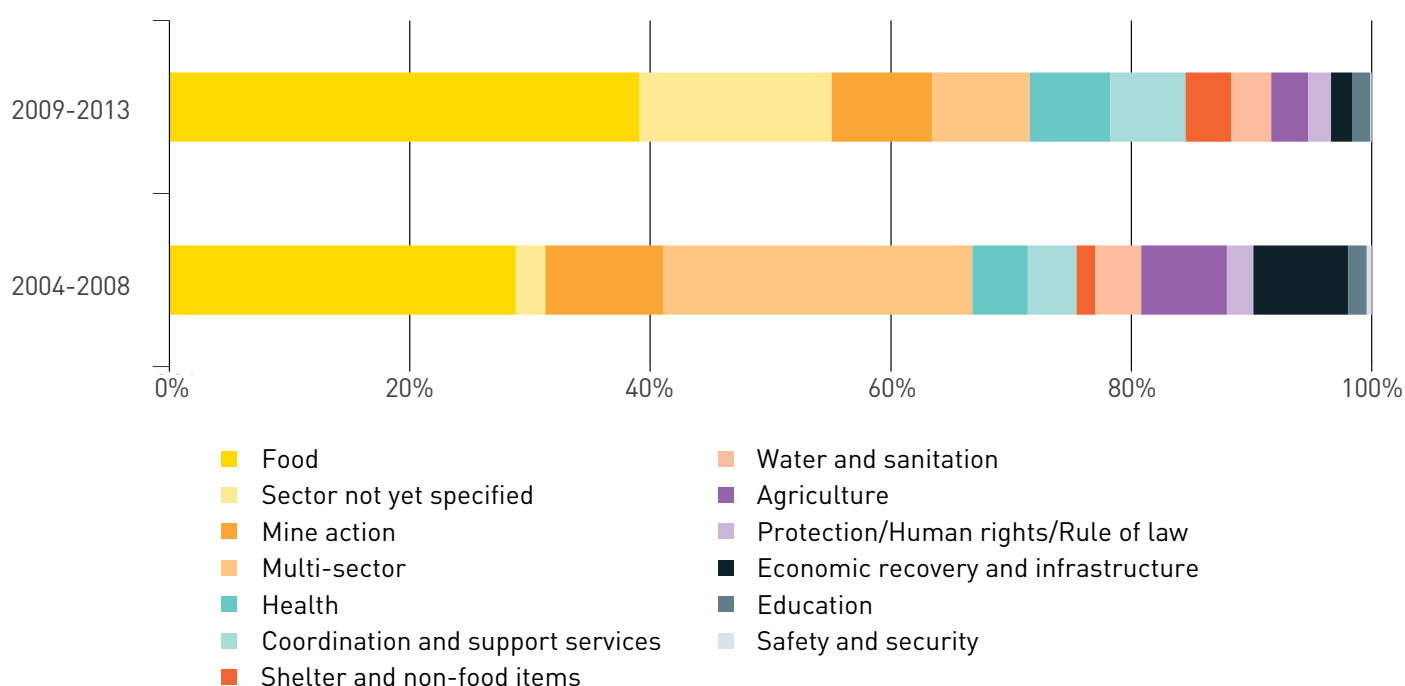
Pooled funding mechanisms have also been deployed to address unforeseen or under-funded needs. Afghanistan has been a frequent recipient of funds from the UN's Central Emergency Response Fund (CERF), receiving a total of US\$102 million between 2006 and 2014, of which 46% was allocated via the CERF's 'under-funded emergencies' window, and 54% from the 'rapid response' window. OCHA Afghanistan established a country-based pooled fund in 2009 with the

creation of a small emergency response fund (ERF).¹¹ The ERF was superseded by a full common humanitarian fund (CHF) in 2014, which attracted more than US\$25 million in commitments and contributions in the first half of 2014. The CHF aims to channel 20% of total humanitarian funds within the UN-coordinated appeal to strengthen a coordinated needs-based allocation of resources.

In addition to a renewed interest in financing humanitarian action in Afghanistan and shifts towards coordinated response, there have been notable changes in the types of assistance (see Figure 12) provided. The primary categories have consistently been food aid and support to displaced people through 'multi-sector' humanitarian assistance as well as humanitarian mine action. But consistent with the increased emphasis on coordinated humanitarian

response, spending on coordination and support services has grown from a low of US\$4 million in 2003 to US\$55 million in 2013. Spending on health has increased from a low of US\$3 million in 2007 to US\$86 million in 2013. However, investments in economic infrastructure through ODA increased seven-fold from US\$146 million to \$1.1 billion between 2003 and 2012, accounting for 23% of aid to the country on average over the period (see ODA below).

FIGURE 12: MAJOR CATEGORIES OF HUMANITARIAN ASSISTANCE BY INTER-AGENCY STANDING COMMITTEE (IASC) STANDARD SECTOR, 2004–2013



Source: Development Initiatives based on data from the UN OCHA FTS.

Humanitarian actors have increasingly identified the need to build resilience to crises as a priority, in addition to responding to acute needs. The 2014 strategic response plan for Afghanistan, for example, clearly articulates a desire among the humanitarian community to focus its efforts on responding to acute emergency needs and preparing for natural disasters, while working with development actors to support greater investments in building the resilience of at-risk communities and strengthening the government's capacity to respond to disasters. While humanitarian investments

in disaster prevention and preparedness in Afghanistan have increased, they remain low at just 1% of total humanitarian funds for the period 2007–2012 (based on OECD DAC CRS data). Globally, investments in disaster prevention and preparedness have also been increasing but similarly remain low, representing just 6.2% of humanitarian assistance from DAC donors in 2012 (refer to page 77 of our GHA report 2014). The extent to which development actors will invest to reduce vulnerability to shocks represents one of the key choices faced when prioritising investments for the Transformation Decade.

THE INTERNATIONAL DEVELOPMENT RESPONSE

In contrast to humanitarian assistance, which has been volatile and unpredictable, Afghanistan has experienced steady growth in development assistance. Indeed, it has been the world's leading recipient of development assistance since 2007 (see Annex 2).

Yet Afghanistan has a complex and, in some areas, highly problematic relationship with aid. It is acutely aid dependent – ranked the third most aid-dependent country after small island states Tuvalu and the Solomon Islands in 2011.¹²

It is not clear whether recent volumes of development assistance to Afghanistan will be maintained into the Transformation Decade. There are undoubtedly risks associated with a potential reduction in development assistance, but there may also be opportunities to reset aid relationships and practices in Afghanistan. This could ultimately lead to more sustainable development partnerships focused on supporting the needs and priorities of Afghan citizens and building their resilience in the face of recurrent humanitarian crises.

DEVELOPMENT ASSISTANCE: A NOTE ON TERMINOLOGY

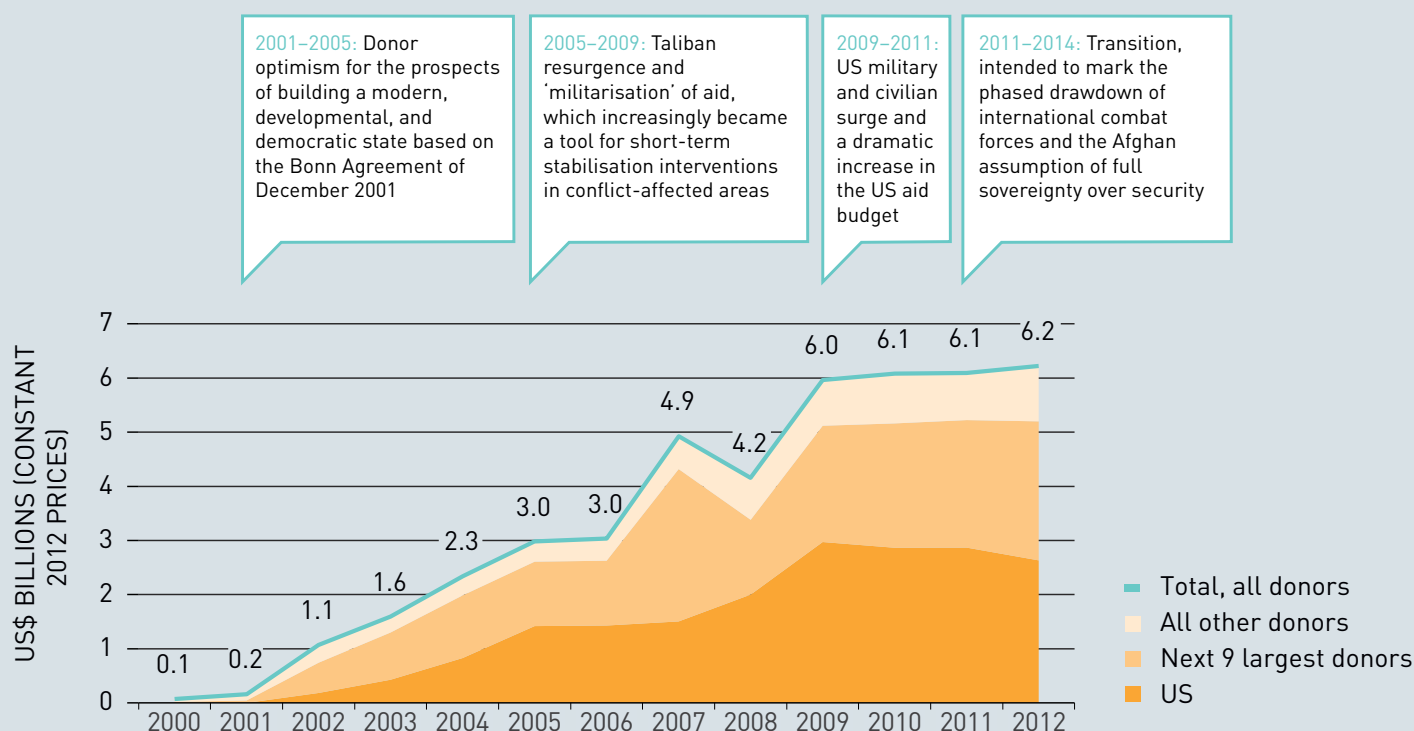
Analysis in the following section uses the category 'development assistance' to distinguish trends in humanitarian assistance from wider aid spending on development assistance. Development assistance comprises total official development assistance (ODA) excluding debt relief, less bilateral humanitarian assistance. Where the term 'aid' is used, it refers to the spending on ODA in its totality - including debt relief and humanitarian assistance.

History and outlook

Development assistance spending peaked relatively late in the international engagement in Afghanistan, with disbursements accelerating after 2009 and

reaching a high of US\$6.2 billion in 2012 (representing 5.3% of all development assistance to developing countries) (see Figure 13).

FIGURE 13: DEVELOPMENT ASSISTANCE TO AFGHANISTAN, 2000–2012



Source: Development Initiatives based on data from the OECD DAC. The 'next 9 largest donors' are calculated over the period 2000–2012. Descriptions of historical phases are taken from Hogg et al, 2013.

Development assistance contributions are highly concentrated among the leading donors. Concentration increased sharply in the years following 2001, with the US providing 50% of total funds by 2009, and the next nine largest donors combined providing 36%. As US contributions have fallen in volume, their share of the total also contracted to 42% in 2012. Funding increases among some other major donors, alongside an aggregate increase among all remaining donors outside of the top 10, have offset this reduction in funding from the US.

The ODA funding outlook is difficult to determine. There are pledges and

commitments from some of the major donors to maintain spending levels. For example, at the most recent donor conference for Afghanistan in Tokyo in 2012, donors pledged US\$16 billion to support Afghanistan's civilian development financing needs up to 2016. The UK, EU institutions, Germany, Norway and Sweden each pledged to maintain current levels of spending until 2016 or 2017 while Australia, Finland and France pledged to increase current levels of spending.

Based on the OECD's forward spending surveys on expected country programmable aid expenditure, spending among donors reporting to the survey (which notably

excludes the US) is expected to remain at US\$1.1 billion annually between 2013 and 2016.¹³

The US – by far the largest donor to Afghanistan – has committed to request funding at or near recent levels up to 2017, but in practice will have to negotiate funding annually with its Congress.¹⁴ It is by no means certain therefore that the US will be able to deliver on its political commitments to maintain spending levels. And whether pledges made at the Tokyo donor conference in 2012 are upheld in the next few years remains to be seen.

Aid priorities and modalities

Development spending has been dominated by expenditure on governance and security, which made up 40% of sector-allocable ODA between 2003 and 2012 (see Figure 14). A large proportion of this has been invested in building public sector policy and administrative management (12%) and legal and judicial development (8%). In contrast to all other fragile states and consistent with commitments to shift towards greater domestic financing of the national budget, Afghanistan has received significant financial support to build domestic revenue mobilisation capacity – an annual average of US\$25.7 million (2010/11) compared with the next largest recipient, Haiti, which received just US\$3.7 million.¹⁵

By contrast, relatively little ODA to Afghanistan has been spent on health (5% of sector-allocable ODA between 2003 and 2012), education (6%), water and sanitation (1%), and reproductive health (2%).

Alongside governance, growth in investments in economic infrastructure have also been substantial, accounting for 23% of ODA between 2003 and 2012 (driven particularly by the energy sector).

Conversely, whilst ODA to productive sectors such as agriculture and industry have also grown, a low baseline means that such investments in aggregate have been lower (9% of ODA between 2003 and 2012), together with multi-sector and cross-cutting aid (8%).

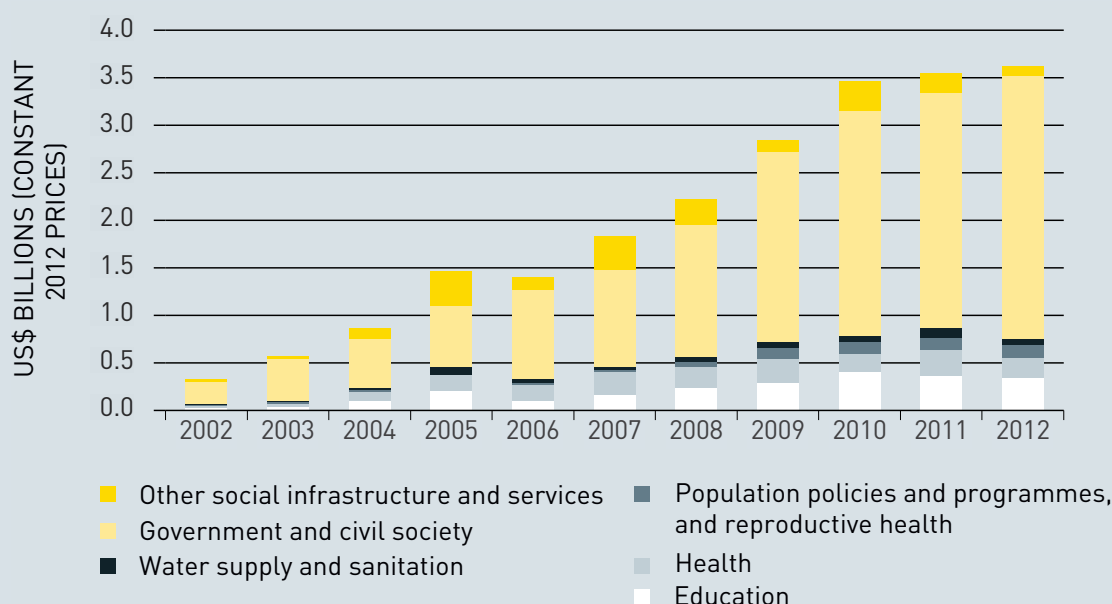
SRP 2014 PRIORITIES

The UN-coordinated SRP for the humanitarian response in 2014 points to the need for development investment in health as well as three other areas:

“Four sectors that require long term, sustainable development solutions to reduce the annual cycle of claims on the humanitarian donors and resolve recurrent needs are:

- A sustainable and effective health care system
- Durable solutions for IDPs and refugee returnees
- Water management to reduce [the impact of] flooding and droughts on livelihoods
- Effective disaster management system”¹⁶

FIGURE 14: SECTOR-ALLOCABLE ODA DISBURSED FOR SOCIAL INFRASTRUCTURE AND SERVICES, 2002–2012

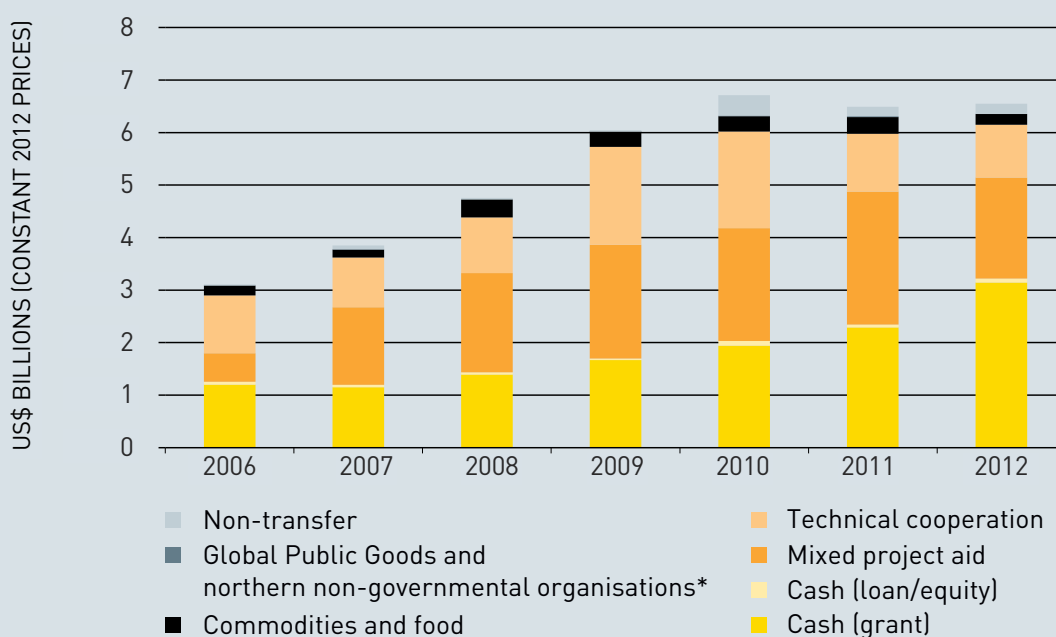


Source: Development Initiatives based on data from the OECD DAC CRS.

The majority of ODA disbursements to Afghanistan since 2006 have been either in the form of cash grants or technical cooperation (the mixed project aid category is itself mostly a combination of these two components). Other forms of ODA, such as loans, food and commodities, comprised only a very small proportion of ODA over this period. However the mix has changed over the last few years – in 2009, 31% of ODA to Afghanistan was identifiably in the

form of technical cooperation and 28% was cash grants. By 2012 the proportion of cash grants had risen to nearly a half of gross ODA disbursements to Afghanistan, while technical cooperation had fallen to just 15% of the total. The rise in cash grants was especially marked in 2012, largely driven by some very large disbursements from USAID mostly to projects aimed at strengthening governance structures within Afghanistan.

FIGURE 15: AID BUNDLE TO AFGHANISTAN 2006–2012



Source: Development Initiatives based on data from the OECD DAC CRS. *Values too small to be visible on graph.

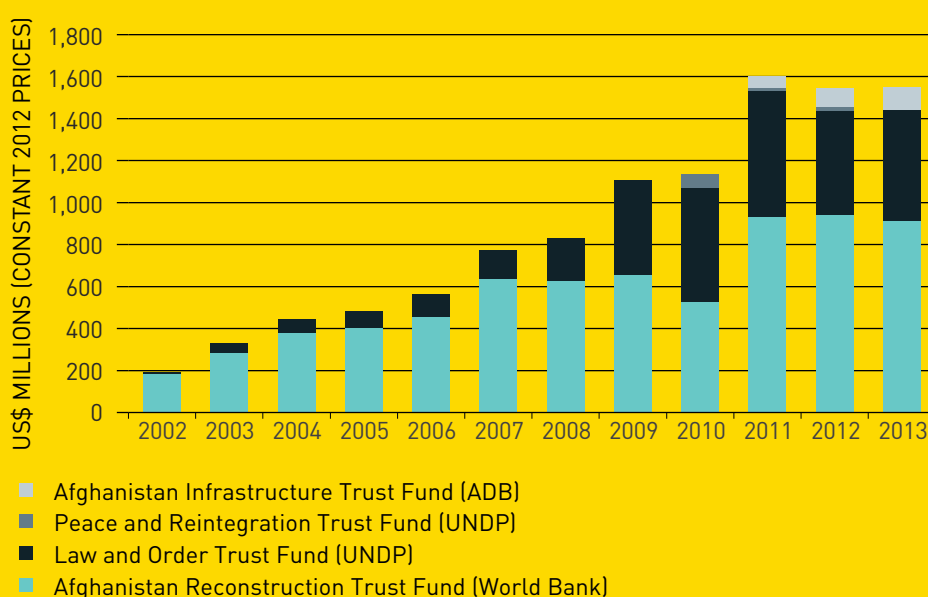
Harmonising development assistance with national priorities

Donors have made repeated commitments to harmonise their development assistance with Afghan national priorities and budgets – notably at the 2010 Kabul conference and 2012 Tokyo conference, at which international donor governments committed to spend at least 50% of their aid through the government of Afghanistan (see Annex 1). In reality, just 1% of ODA between 2002 and 2012 (US\$638 million) was spent as ‘general budget support’, and donors consider direct funding through government systems to be at high risk of diversion.¹⁷

Instead, donors have used multi-donor trust funds extensively in Afghanistan to

enable alignment with national development priorities while managing fiduciary risk. The Afghan Reconstruction Trust Fund (ARTF), the largest trust fund for Afghanistan, has enabled donors to finance both the recurrent budget of the government – including paying the salaries of health and education staff – as well as coordinating their support to large-scale national priority programmes such as the National Solidarity Programme and the National Rural Access Programme. In 2012, the equivalent of 23% of ODA (US\$1.5 billion) was channelled through four multi-donor trust funds (see box on multi-donor trust funds).

FIGURE 16: MULTI-DONOR TRUST FUNDS FOR AFGHANISTAN, 2002–2013



Source: Development Initiatives based on data from the Asian Development Bank (ADB), Ministry of Finance of the Government of Afghanistan, UNDP, UK, US, and World Bank.

MULTI-DONOR TRUST FUNDS

The **Afghanistan Reconstruction Trust Fund (ARTF)** was established in 2002 to channel donor funds to support the budget of the government of Afghanistan and priority national investment projects. The ARTF is the largest pooled fund in Afghanistan and the principal mechanisms providing ‘on-budget’ aid funding. The fund is administered by the World Bank and supported by 33 donors.

The **Law and Order Trust Fund for Afghanistan (LOTFA)** was established in 2002 to channel donor funds to support law enforcement, including the payment of salaries for police officers and Central Prison Department guards through direct electronic transfer systems, to build infrastructure such as police checkpoints, and to support the professionalisation of police officers – with a special focus on women in the force. The LOTFA is administered by the United Nations Development Programme (UNDP) and its current phase of implementation is supported by 15 donors (Canada, Czech Republic, Denmark, the EU, Finland, Germany, Italy, Poland, South Korea, Japan, the Netherlands, Norway, Switzerland, the UK and the US).

The **Peace and Reintegration Trust Fund (PRTF)** was established in 2010 to support the UNDP-administered Afghanistan Peace and Reintegration Programme (APRP). The APRP is a government-implemented national programme to support peace and reconciliation processes and the reintegration of former combatants. The fund has been supported by seven donors (Denmark, Germany, Italy, Japan, the Netherlands, South Korea and Spain).

The **Afghanistan Infrastructure Trust Fund (AITF)** was established in 2010 by the Asian Development Bank (ADB) and aims to provide grant co-financing to infrastructure projects alongside other investments from the private sector and donors. Eligible investments include roads (national, regional, rural and urban), railways, airports, energy (generation, transmission and distribution), water management and irrigation, and other infrastructure-related sectors. To date, the AITF has been supported by three donors (Japan, the UK and the US).

Accountability and corruption

Under the 2006 Afghanistan Compact and the subsequent Kabul and Tokyo conferences (see Annex 1 for details on key events), donors agreed to channel an increasing proportion of their assistance through the core government budget, either directly or through trust fund mechanisms, such as the four detailed on page 17. Yet, in practice, there appears to have been limited progress in reaching these commitments to channel 50% of funds 'on budget' and to align 80% of funds behind national priority programmes. In 2011, the most recent year for which data is available, 82% of aid estimated to have bypassed government systems.

The preference for directing funds 'off budget' is due in part to concerns about a lack of absorptive capacity and the potential for corruption within government systems (see box, right).¹⁸ The possibilities for concessional lending, for example, are limited by a lack of progress on controlling corruption and putting in place fiscal and budgetary reforms and controls; the majority of ODA to Afghanistan is in the form of grants – 98% between 2002 and 2012 (see figure 15).

Instead, many donors – and particularly the US – have relied extensively on private sector contractors to implement grant funding. One impact of this is that a significant proportion of aid expenditure leaves the economy through the profits and remittances of foreign contractors and workers. Just 10–15% of aid spent 'off budget' through international contractors is estimated to be spent locally.¹⁹

At the same time, channelling funds through foreign contractors has not insulated donor funds from corruption and diversion. Indeed, contractors may engage in multiple sub-contracting transactions, each tier providing potential opportunities for diversion of funds.²⁰ Donor oversight bodies, including

the UK's Independent Commission for Aid Impact²¹, have latterly raised concerns about how aid investments in Afghanistan have been managed. The US government's Special Inspector General for Afghanistan Reconstruction (SIGAR) notes that "SIGAR audits and inspections have catalogued lack of planning, contract mismanagement, poor quality control, and weak accountability. Consequently, Afghanistan has schools built so badly they are in danger of collapsing, clinics with no doctors or medical supplies, police and army barracks that are not fit to use, and roads that are disintegrating for lack of maintenance."²²

At the 2010 donor conference in London, corruption was raised as a serious concern. Donors and the Government of Afghanistan established the Joint Anti-Corruption Monitoring and Evaluation Committee later that year to address these concerns. Commitments to tackle corruption were clearly articulated in the 2012 Tokyo donor conference in the Mutual Accountability Framework (MAF), which sets out conditions on which future aid is contingent. They include commitments from the Afghan government to strengthen governance, reduce reliance on donor financing, and manage aid resources effectively and transparently. However, critics note that in contrast to the positive tone of the MAF, it may be very difficult to monitor and enforce these commitments.²³ Meanwhile, donor governments too may need to increase their commitment and capacity to provide adequate but enabling control, oversight and accountability measures.²⁴ As international actors look to recalibrate their assistance to Afghanistan during the Transformation Decade, there are opportunities to strengthen these measures to increase both accountability and impact.

IN NUMBERS: CORRUPTION

Corruption in Afghanistan is not just a concern for accountability on international donor expenditure, it is a very real concern for Afghan citizens:

- In 2012, half of Afghan citizens paid a bribe while requesting a public service, and the total cost of bribes paid to officials was estimated at US\$3.9 billion – the equivalent of 20% of gross domestic product (GDP).²⁵
- In a recent poll of Afghan citizens, corruption was cited as the second most important driver of pessimism about the future, after insecurity.²⁶
- In 2013, Transparency International's Corruption Perceptions Index rated perceptions of Afghanistan's public sector to be worst of all 177 nations polled – a ranking it shared with North Korea and Somalia.²⁷

THE INTERNATIONAL SECURITY RESPONSE

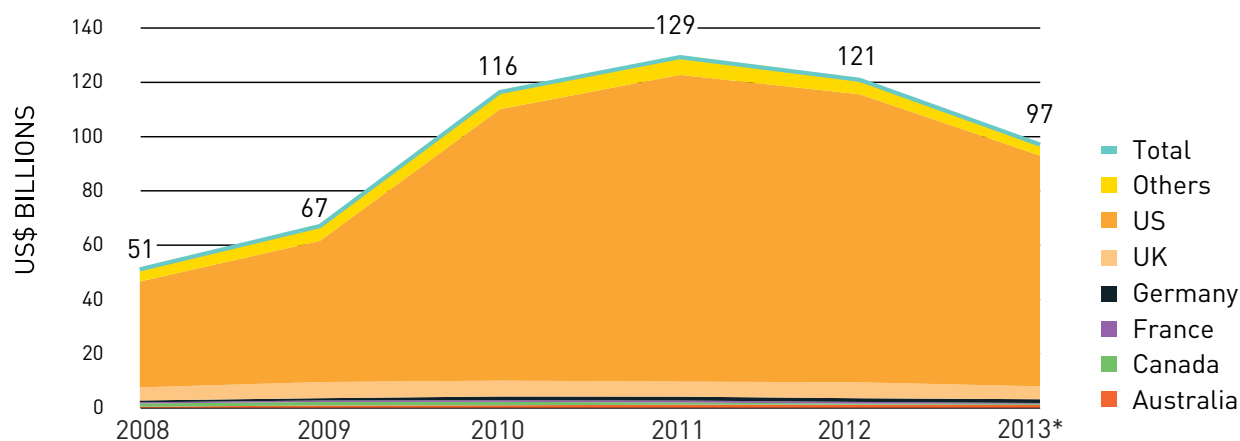
Commitments to international security engagement in Afghanistan shifted during the past five years as key members of the NATO-led ISAF – in many cases facing straitened economic circumstances at home – announced their intentions to scale back spending on military operations in Afghanistan. These moves were preceded by a military surge aimed at reversing gains made by a resurgent Taliban, and increased investments in building viable Afghan security forces in advance of international troop withdrawal. In 2009, the US announced a change in military strategy, which involved a major scale-up of military force with 30,000 additional US troops while at the same time signalling its intention to end military operations within a few years.

A succession of international NATO summits and international conferences since 2010 have affirmed commitments and timetables to withdraw foreign combat troops (see Annex 1). Meanwhile, significant investments have been made by international donors to train, equip and pay the salaries of several hundred thousand Afghan soldiers and police.²⁸

Peace and security in the Transition Decade depends to a large degree on international donors maintaining this support to the large domestic security forces that they have helped to build. In September 2014, the US government signed its long-awaited Bilateral Security Agreement with the newly formed Government of Afghanistan. The agreement allows US and NATO troops to remain in Afghanistan after 2014, until “2024 and beyond”. Plans are for 9,800 American and about 2,000 NATO troops to stay until the end of 2015, a number that will then diminish year on year. Their role will be to train and support Afghan security forces, but the pact also allows for American Special Operations forces to conduct counterterrorism missions in the country. The signing of the Bilateral Security Agreement provides the political commitment necessary to underpin continued financing support to the security sector in Afghanistan.

Military draw-down

FIGURE 17: COST OF ISAF AND OEF IN AFGHANISTAN, 2008–2013*



Source: SIPRI estimates. "ISAF common costs" are included in the "other" category. *Note that values for 2013 are a projection based on changes in numbers of troops deployed to NATO ISAF with the exception of the US, where values are based on enacted budget figures for the financial year 2013.

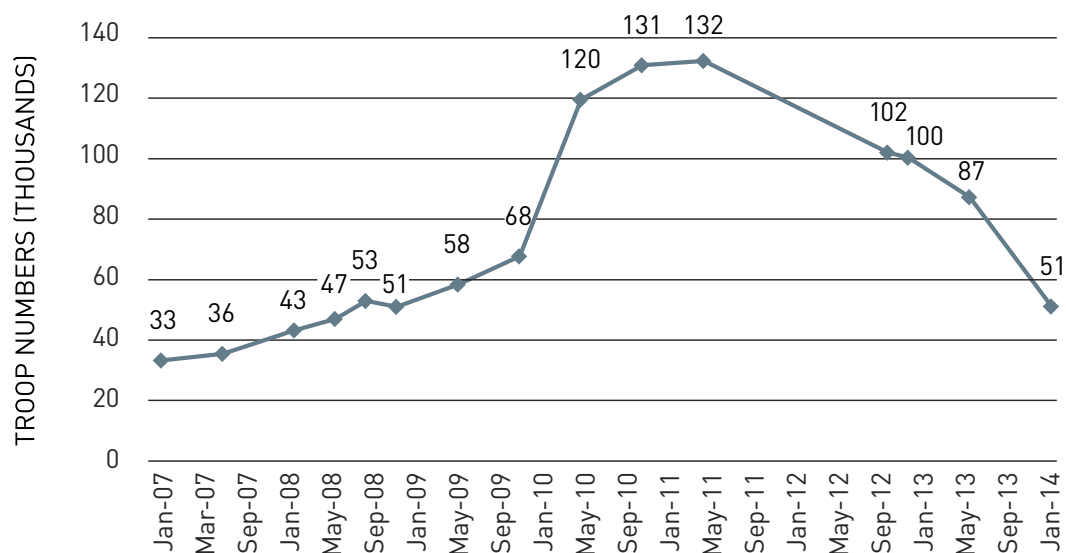
International spending on security in Afghanistan dwarfs all other resource flows. The two military operations in Afghanistan – the US-led Operation Enduring Freedom (OEF) and the NATO-led ISAF – are estimated to have cost in excess of US\$129 billion at the peak of the troop surge in 2011 (compared with US\$6.8 billion in ODA, of which US\$768 million was humanitarian assistance). The

US has invested most in international military operations in Afghanistan, by a significant order of magnitude – spending 20 times more in 2011 than the UK, the next largest contributor.

The cost of the international security presence in Afghanistan has been rapidly falling (see Figure 17). Combat troops and

assets are being progressively withdrawn and donors have shifted their attention to strengthening the capacity of the Afghan National Security Forces (ANSF) in preparation for the security handover and scale-down of international troops (see Figures 18 and 19).

FIGURE 18: NUMBER OF TROOPS DEPLOYED UNDER NATO ISAF, 2007–2014



Source: Development Initiatives based on data from the NATO ISAF.

Building and sustaining domestic security capacity

Sustaining financing of the ANSF – which includes the Afghan National Army (ANA), the Afghan National Police (ANP), the Afghan Local Police and the National Directorate of Security – will be one of the biggest challenges of the Transformation Decade. Without predictable sustained international support to the security sector, there are concerns that gains in establishing Afghanistan's domestic security capabilities will be reversed and that domestic military spending will displace spending on other budgetary sectors, including health and education.

The NATO Strategic Plan for Afghanistan, agreed at the Chicago Summit in May 2012

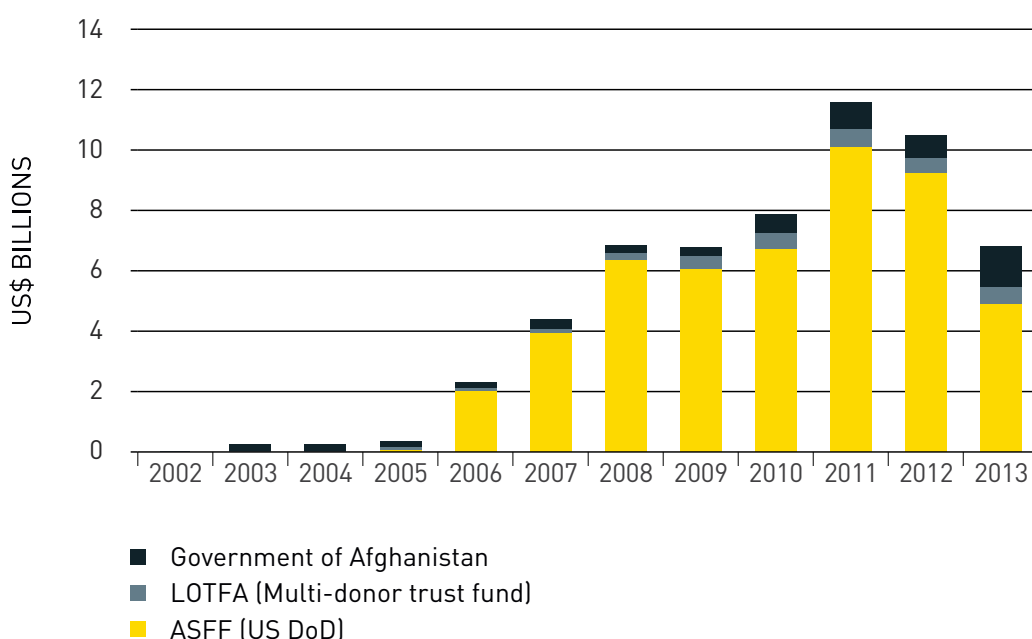
(see Annex 1), commits to provide funding and support to train, advise and assist the ANSF after 2014. The plan envisages a combined ANSF strength of 352,000 by the end of 2013, which should be sustained until at least 2015.²⁹ The cost of sustaining the ANSF at this level has been estimated at US\$6 billion annually.³⁰ Contributions from the Government of Afghanistan are expected to rise annually until 2024, at which time it is expected to take full responsibility for financing the ANSF. In the interim, substantial supplementary funding from international donors will be required.

The US government is the main international donor to the ANSF through its Afghan

Security Forces Fund (ASFF) (see Figure 19). From its establishment in 2005 to the first quarter of 2014, the US government had appropriated US\$53 billion for the ASFF.³¹

A NATO ISAF trust fund was created in 2007 to support the transportation of donated equipment and training of the ANA, and was later expanded in mandate to include sustainment costs. However, the ANA trust fund is relatively small in comparison, having received a total of US\$720 million up to November 2013.³² The Law and Order Trust Fund (see box on multi-donor trust funds, page 16, and Figure 19) has received around US\$3.2 billion in contributions to support the ANP between 2002 and 2013.

FIGURE 19: FINANCING SUPPORT TO AFGHAN NATIONAL SECURITY FORCES, 2002–2013



Source: Development Initiatives based on data from the Ministry of Finance of the Government of Afghanistan, UNDP, SIPRI, US Overseas Loans & Grants 'Greenbook'. Funding from Government of Afghanistan based on 2011 constant prices. ASFF funds are 'obligations' and are based on 2012 constant prices, except for 2013 where the value is the amount appropriated and is given in current prices.

Domestic resources for security and development

At the 2012 donor conference in Tokyo, the Government of Afghanistan committed to gradually reduce its reliance on international aid and progressively increase its domestic revenue generation in order to meet its own public financing requirements. As noted, it has committed to take full responsibility for financing the security sector by 2024.³³

Economic growth and prosperity in Afghanistan is, of course, heavily dependent on security and political stability. But in order to reduce its high level of aid dependence, to drive poverty eradication and finance domestic management of internal security, Afghanistan will also need to develop new sources of licit, taxable economic activity and

to improve its capacity to collect and spend its own revenues. International development partners can play a key role in supporting reforms, developing institutional capacity, and targeting investments to support sustainable and inclusive economic growth.

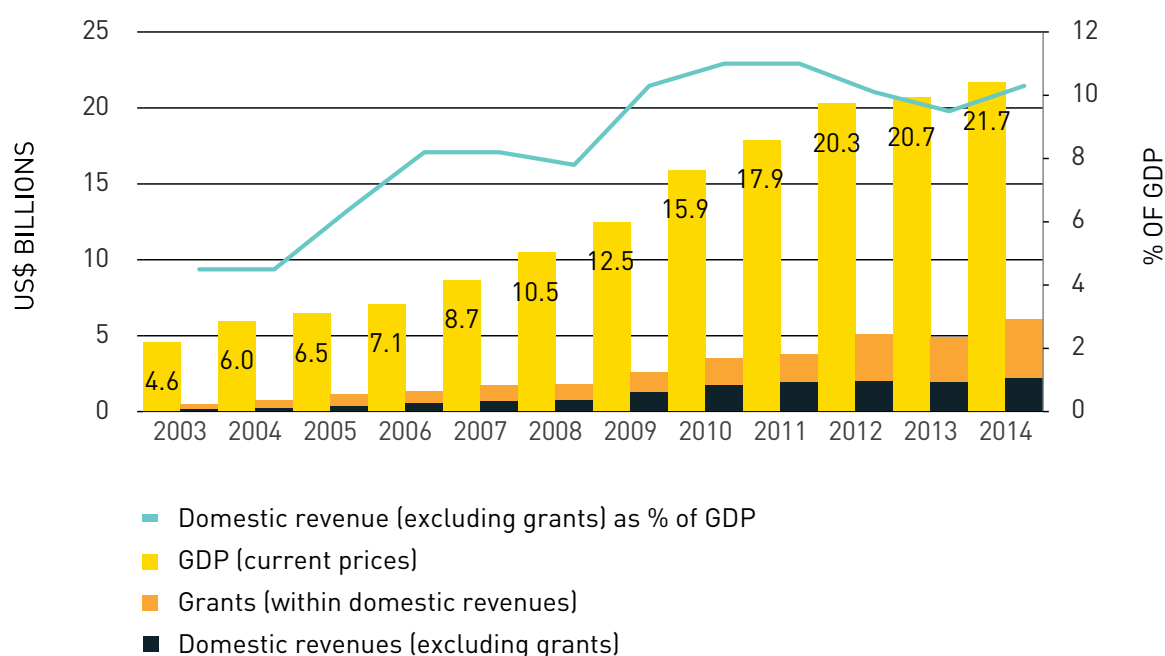
Outlook for sustainable economic growth and government revenues

Afghanistan's GDP increased more than four-fold between 2003 and 2012 (see Figure 20). The rate of economic growth is estimated to have slowed considerably in 2013 as political and security uncertainty prompted reduced investor and consumer confidence, a number of large-scale development projects were completed, and spending by international security forces began to tail off as troops withdrew.³⁴

Whilst budget revenues have also increased steadily since 2003, this has largely been driven by an increase in international grants rather than growth in domestic tax revenues. According to the International Monetary Fund (see Figure 20), domestic revenue collection in Afghanistan (excluding foreign grants) contracted in 2012 and again in 2013 to some of the lowest rates of any country (10.1% and 9.5% of GDP, respectively). This

was as a result of the economic slowdown and weaknesses in collecting customs and tax revenues.³⁵ The gap between domestic revenues and the planned recurrent government budget widened from 6.8% of GDP in 2012 to 7.7% in 2013, according to the Asian Development Bank.³⁶

FIGURE 20: GROSS DOMESTIC PRODUCT AND DOMESTIC REVENUES (EXCLUDING GRANTS), 2003–2014



Source: Development Initiatives based on data from the International Monetary Fund. Until 2012 fiscal accounts have been compiled on the basis of a solar year, which runs from March 21 to March 20. From 2012 data is compiled on a new fiscal year basis that runs from December 21 to December 20. There will be a three-month overlap in 2011 and 2012 data.

In a reduced-growth scenario, the government is unlikely to meet commitments to take greater responsibility for financing its own recurrent and development (or capital investment) budgets; indeed, it has begun to effect austerity measures in response to a widening fiscal gap. In addition, there are indications that the need to maintain the large security sector could crowd out other

areas of government spending. In 2013, for example, recurrent security spending grew to 10.7% of GDP compared with 10.2% in 2012, while civilian recurrent expenditure fell to 6.6% of GDP in 2013 from 6.8% in 2012.³⁷

Robust economic growth between 2002 and 2012 – largely driven by international investments – masks longer term structural

economic problems, and the prospects for sustainable economic growth is challenging. Afghanistan's economy relies heavily on small-scale agricultural production, which is highly vulnerable to climatic variation. Afghanistan is also reliant on food imports and is therefore exposed to external food price volatility.³⁸

Manufacturing and industry are under-developed and foreign investment is extremely low, deterred by widespread insecurity, political instability and corruption (see Figure 21).

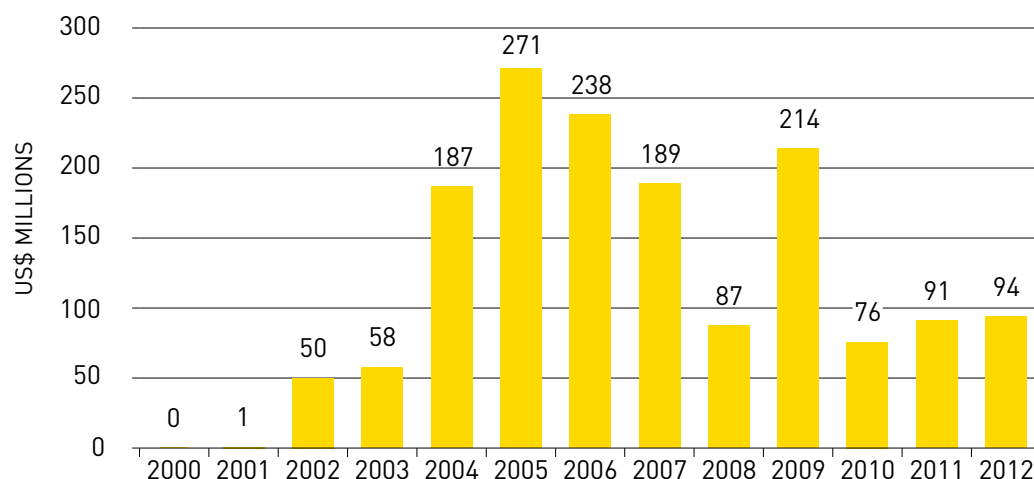
Afghanistan has large reserves of minerals and hydro-carbons, which have recently

attracted foreign investors and begun to be commercially exploited. While extractive industries have the potential to drive economic growth and raise government revenues, experiences elsewhere indicate that extractive industries also come with substantial risks. They may generate few jobs, economies may become

disproportionately reliant on revenues from extractives, which are in turn vulnerable to rent-seeking, eroding public confidence in the state and potentially fuelling conflict.³⁹

Foreign investment into Afghanistan is curtailed by widespread insecurity and has remained at very low levels.

FIGURE 21: FOREIGN DIRECT INVESTMENT, NET INFLOWS TO AFGHANISTAN 2000–2012



Source: Development Initiatives based on data from the International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development (UNCTAD) and official national sources.

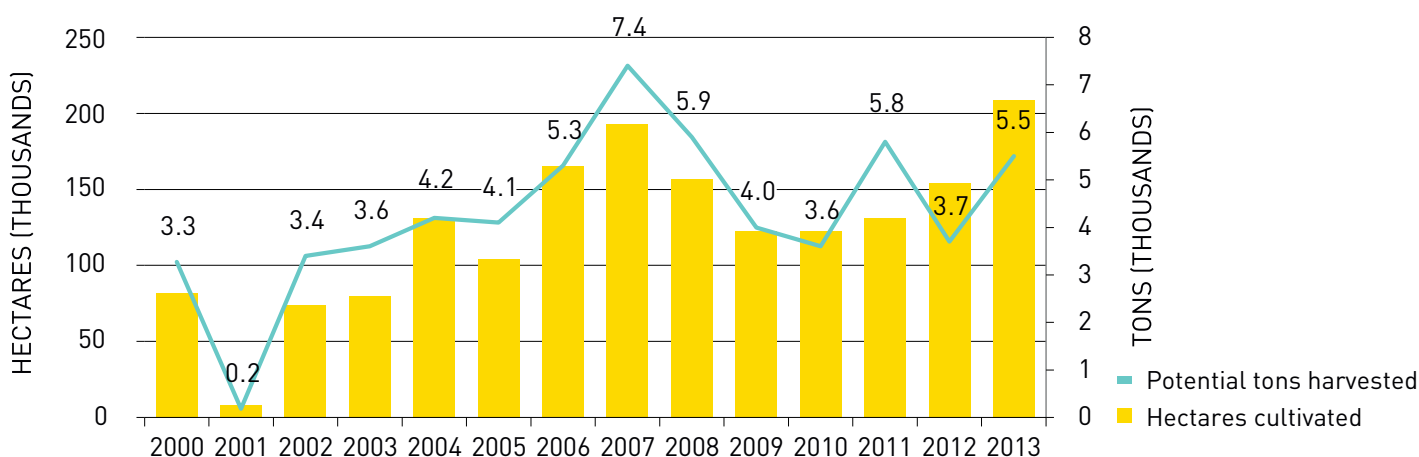
Illicit economic activity currently makes a significant contribution to Afghanistan's economy, with opium the leading export. The net export value of opiates in 2013 was US\$2.9 billion, compared with a total GDP (excluding opiates) of US\$20.8 billion.⁴⁰ Opium production is an important income source for many rural households, but it also

fuels conflict, generating revenue for armed and criminal groups rather than taxable revenues for the government. The scale of opium production rose sharply in 2012 and 2013 (see Figure 22).

Afghanistan's economic growth since 2001 has scarcely benefited the poor, who

remain highly vulnerable to shocks. Future investments and reforms to build economic growth should be combined with investments that benefit those who have been excluded so far, notably the low-skilled workforce, unemployed youth, women, and those living in poverty.⁴¹

FIGURE 22: POTENTIAL OPIUM PRODUCTION IN AFGHANISTAN, 2000–2013



Source: Development Initiatives based on data from the United Nations Office on Drugs and Crime (UNODC).

CONCLUSION

Afghanistan faces major challenges at the outset of the Transformation Decade, but it is within the power of international donor governments to ensure that predictable external financing support to meet humanitarian, development and security needs is not one of them. In addition, there are opportunities for investments to have a greater emphasis on strengthening accountability, with a focus on pro-poor support and resilience-building to improve outcomes for Afghan citizens.

International donors, primarily those involved in the military intervention, have spent significant sums in Afghanistan since 2001. Learning from their involvement over the past 13 years, and paying attention to the particular challenges, needs, and risks of people in Afghanistan at the present juncture, they now have the chance to make conscious and concerted choices to:

Ensure predictable and sustained support to both the development and the security sectors.

The Government of Afghanistan expects to still be reliant on international donor financing to provide an estimated US\$7.8 billion (23% of GDP) to support the recurrent and development budget in 2020, with continued support at reduced levels beyond that time.⁴² Donors have made pledges to continue their financing support to 2016. Honouring those pledges and making longer term commitments to development partnerships and support to sustain the security sector will enable planning over an appropriate timescale for the required long-term activities. This will help to build much-needed confidence in the economy and the capabilities of the government following uncertainty about the post-withdrawal scenario and subsequent security deterioration.

Focus on pro-poor development investments and building resilience of populations vulnerable to risk of crisis and disaster.

ODA investments in the post-intervention period have been dominated by stabilisation and state-building. Development indicators for Afghanistan have improved but remain extremely low, and rising inequality could prove to be a source of future unrest. Donors can help to ameliorate chronic poverty and vulnerability by aligning their investments with national priority programmes (as they have committed to do under the Tokyo MAF) and by increasing their development investments in basic service provision, inclusive income-generating opportunities and disaster risk management.

Continue to support needs-based principled humanitarian response.

The humanitarian community in Afghanistan has come a long way in the past five years to build the case and capacity for principled needs-based humanitarian funding. Donors now have far greater opportunity to support needs-based humanitarian financing through a more rigorous and needs-based coordinated appeal and a country-based common humanitarian fund, and should continue to mobilise behind efforts to strengthen principled humanitarian response. This should be complemented by advocating with development counterparts to invest in vulnerability reduction and domestic disaster management capacity to enable humanitarian actors to retain a focus on responding to acute humanitarian needs.

Strengthen accountability to reduce the risk of international investments fuelling corruption and conflict.

The Government of Afghanistan and international donors have made multiple commitments to strengthen accountability. This is not only the responsibility of the government, however; donors also need to continue to strengthen oversight, transparency and accountability to ensure that humanitarian and development funding is not part of the growing corruption problem.

DEFINITIONS AND SOURCES

Foreign direct investment is the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors. Data is in current US dollars.

Available at: <http://data.worldbank.org/country/afghanistan>

GDP per capita is gross domestic product divided by mid-year population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2005 US dollars. Source: World Bank national accounts data, and OECD National Accounts data files.

Available at: <http://data.worldbank.org/country/afghanistan>

Humanitarian assistance: Humanitarian action is designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies. This definition is set out in the Good Humanitarian Donorship (GHD) Principles and Good Practice Guidelines. Available at: <http://www.goodhumanitariananddonorship.org/gns/principles-good-practice-ghd/overview.aspx>

As well as being focused on emergencies, humanitarian assistance differs from other forms of foreign and development assistance because it is intended to be governed by the key humanitarian principles of:

- **HUMANITY** – saving human lives and alleviating suffering wherever it is found
- **IMPARTIALITY** – acting solely on the basis of need, without discrimination between or within affected populations
- **NEUTRALITY** – acting without favouring any side in an armed conflict or other dispute
- **INDEPENDENCE** – ensuring autonomy of humanitarian objectives from political, economic, military or other objectives.

Life expectancy: Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Male and female life expectancy at birth derived from sources such as: **(1)** United Nations Population Division. World Population Prospects, **(2)** United Nations Statistical Division. Population and Vital Statistics Report (various years), **(3)** Census reports and other statistical publications from national statistical offices, **(4)** Eurostat: Demographic Statistics, **(5)** Secretariat of the Pacific Community: Statistics and Demography Programme, and **(6)** US Census Bureau: International Database. Available at: <http://data.worldbank.org/country/afghanistan>

Official development assistance (ODA):

ODA is a grant or loan from an OECD member country to a developing country (as defined by the OECD) or multilateral agency for the promotion of economic development and welfare. It is reported by members of the OECD DAC, along with several other government donors and institutions, according to strict criteria each year. It includes sustainable and poverty-reducing development assistance (for sectors such as governance and security, social services, education, health, and water and sanitation) as well as humanitarian assistance from OECD DAC members and other donors reporting to the OECD DAC.

Development Assistance: Analysis in this report uses the category 'development assistance' to distinguish trends in humanitarian assistance from wider aid spending on development assistance. Development assistance comprises total ODA excluding debt relief, less bilateral humanitarian assistance. Where the term 'aid' is used, it refers to the spending on ODA in its totality - including debt relief and humanitarian assistance.

Per capita government expenditure on health at average exchange rate (USD):

Per capita general government expenditure on health (GGHE) expressed at average exchange rate for that year in US dollars. Current prices. Source: World Health Organization. Available at: WHO Indicator and Measurement Registry version 1.7.0 http://apps.who.int/gho/indicatorregistry/App_Main/indicator_registry.aspx

Under-five mortality rate: Probability of dying between birth and exactly five years

of age expressed per 1,000 live births. Sources: UNICEF, United Nations Population Division and United Nations Statistics Division. Available at: http://www.unicef.org/infobycountry/afghanistan_statistics.html

ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AITF	Afghanistan Infrastructure Trust Fund
ANA	Afghan National Army
ANDS	Afghan National Development Strategy
ANP	Afghan National Police
ANSF	Afghan National Security Forces
ARTF	Afghan Reconstruction Trust Fund
ASFF	Afghan Security Forces Fund
CERF	Central Emergency Response Fund
CHF	Common humanitarian fund
CRS	Creditor Reporting System (OECD DAC)
DAC	Development Assistance Committee (OECD)
DPKO	UN Department of Peacekeeping Operations
ERF	Emergency response fund
FTS	Financial Tracking Service (UN OCHA)
GDP	Gross domestic product
IDA	International Development Association of the World Bank
ISAF	International Security Assistance Force (NATO)
LOTFA	Law and Order Trust Fund for Afghanistan
MAF	Mutual Accountability Framework
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OEF	Operation Enduring Freedom
PRT	Provincial Reconstruction Team
PRTF	Peace and Reintegration Trust Force
SIPRI	Stockholm International Peace Research Institute
UNAMA	United Nations Assistance Mission in Afghanistan

ANNEX 1: TIMELINE OF KEY POLITICAL EVENTS IN AFGHANISTAN, 2001–2014

YEAR	EVENT	OUTCOME
2001	Bonn Agreement	KEYWORDS: Transitional Authority, constitution, elections, ISAF <ul style="list-style-type: none"> Established an Interim Authority for six months, to be replaced by a Transitional Authority tasked with drafting a constitution and holding elections within two years. Set out the role of a UN-mandated force in securing Kabul, with possible later expansion, and in training new Afghan security forces.
2002	Tokyo Donor Conference	KEYWORDS: recovery, reconstruction <ul style="list-style-type: none"> Donors pledged US\$4.5 billion.
	UN Security Council Resolution 1401	<ul style="list-style-type: none"> Established the UNAMA as a political and 'integrated' mission, directed by the UN DPKO, to help implement the Bonn Agreement.
2004	Constitution	<ul style="list-style-type: none"> New constitution adopted.
	Berlin Donor Conference	KEYWORDS: recovery, reform, development <ul style="list-style-type: none"> Donors pledged US\$8 billion.
	Elections	<ul style="list-style-type: none"> Hamid Karzai elected in presidential elections.
2005	Elections	<ul style="list-style-type: none"> National Assembly and Provincial Council elections.
2006	Afghanistan Compact	KEYWORDS: poverty reduction, aid effectiveness <ul style="list-style-type: none"> Successor to the Bonn Agreement; defined principles of cooperation for 2006–2011. Agreed pillars of activity: security; governance, rule of law and human rights; economic and social development. Commitments made to improve aid effectiveness. Donors pledged US\$10.5 billion.
2008	Afghan National Development Strategy (ANDS)	<ul style="list-style-type: none"> The ANDS established the development strategy, policies, programmes and projects of the Government of Afghanistan to be implemented from 2008 to 2012. These are organised under three pillars: (i) security; (ii) governance, rule of law and human rights; and (iii) economic and social development. Cross-cutting issues include: (i) regional cooperation; (ii) counter-narcotics; (iii) anti-corruption; (iv) gender equality; (v) capacity development; and (vi) environmental management. Donors are encouraged to implement their projects through the national budget or at the least to ensure that their projects are aligned with ANDS objectives and priorities.
	UN Security Council Resolution 1806	<ul style="list-style-type: none"> Expands role of UNAMA to lead international civilian engagement and strengthen cooperation with ISAF.
2009	Hague Conference	KEYWORDS: good governance, economic growth, security <ul style="list-style-type: none"> Affirmed the need for greater Afghan ownership of security and economic development.
	Elections	<ul style="list-style-type: none"> Hamid Karzai re-elected in presidential elections.

YEAR	EVENT	OUTCOME
2010	London Conference	KEYWORDS: security, anti-corruption, reconciliation <ul style="list-style-type: none"> ● A phased transition to an Afghan lead on security operations to begin late 2010/early 2011. ● Targets for significant increases in ANA and ANP personnel announced: 171,000 recruits to the ANA and 134,000 to the ANP by the end of 2011. ● Commitments to increase international forces (to around 135,000) announced with an accompanying 'civilian surge'. ● Commitments made to better-coordinated development assistance, increasingly channelled through the Government of Afghanistan. ● Government of Afghanistan committed to anti-corruption measures.
	Kabul Conference	KEYWORDS: security handover <ul style="list-style-type: none"> ● The Government of Afghanistan proposed Afghan-led plan for improving development, governance and security. ● Afghan forces to lead security operations by 2014. ● At least 50% of aid to be channelled through the Government of Afghanistan.
	Lisbon NATO Summit	<ul style="list-style-type: none"> ● Framework to hand over full security responsibility to Afghan forces by 2014 endorsed.
2011	Bonn Conference	KEYWORDS: securing international commitment
2012	Chicago NATO Summit	<ul style="list-style-type: none"> ● Reaffirmed ISAF members' commitment to support security beyond the transition period.
	Tokyo Donor Conference	KEYWORDS: 'Transformation Decade' (2015–2024), mutual accountability <ul style="list-style-type: none"> ● Established the Tokyo MAF ● Donors pledged US\$16 billion civilian funding up to 2016.
2013	Security handover	<ul style="list-style-type: none"> ● Handover of security from NATO to Afghan forces completed on 18 June, giving Afghan forces the lead for security in all 403 districts of Afghanistan.
2014	Elections	<ul style="list-style-type: none"> ● Presidential elections held on 5 April 2014, followed by a second round on 14 June 2014 resulting in election of Ashraf Ghani as President and signing of a deal for a government of national unity in September 2014. ● Signing of Bilateral Security Agreement between US and Afghan governments in September 2014, permitting US and NATO troops to remain until 2024 and beyond.

ANNEX 2: LEADING RECIPIENTS OF ODA, 2000–2012

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
China (4.4%)	India (4.3%)	Pakistan (4.4%)	Iraq (4.8%)	Iraq (8.2%)	Iraq (12.4%)	Iraq (8.5%)	Afghanistan (6.9%)	Afghanistan (6.1%)	Afghanistan (7.2%)	Afghanistan (7.4%)	Afghanistan (7.5%)	Afghanistan (7.4%)
Vietnam (4.2%)	Pakistan (4.2%)	India (4.0%)	Vietnam (3.9%)	Afghanistan (4.2%)	Afghanistan (4.4%)	Afghanistan (4.7%)	Iraq (6.2%)	Iraq (4.1%)	Vietnam (4.4%)	Ethiopia (4.0%)	Vietnam (3.9%)	Vietnam (4.5%)
Indonesia (3.9%)	China (3.8%)	China (3.5%)	Tanzania (3.6%)	Vietnam (3.5%)	Indonesia (3.4%)	Pakistan (3.5%)	Vietnam (3.8%)	Ethiopia (4.0%)	Ethiopia (4.4%)	Pakistan (3.5%)	Ethiopia (3.8%)	Ethiopia (3.6%)
India (3.6%)	Vietnam (3.6%)	Afghanistan (3.1%)	Afghanistan (3.5%)	China (3.2%)	Vietnam (3.1%)	Sudan (3.2%)	Ethiopia (3.5%)	Vietnam (3.3%)	Tanzania (3.4%)	Tanzania (3.4%)	Pakistan (3.8%)	Turkey (3.3%)
Serbia (3.6%)	Serbia (3.5%)	Vietnam (3.1%)	Ethiopia (3.4%)	Ethiopia (3.1%)	China (3.0%)	Vietnam (3.1%)	Pakistan (3.2%)	Sudan (3.2%)	Iraq (3.2%)	Vietnam (3.4%)	India (3.5%)	Tanzania (3.1%)
Bangladesh (2.9%)	Indonesia (3.4%)	Ethiopia (3.0%)	China (3.0%)	Tanzania (3.0%)	Ethiopia (2.9%)	Ethiopia (2.9%)	Tanzania (3.0%)	West Bank and Gaza Strip (3.0%)	Pakistan (3.2%)	Haiti (3.4%)	Turkey (3.3%)	Kenya (2.9%)
Egypt (2.9%)	Ethiopia (2.8%)	Mozambique (2.9%)	Bangladesh (2.8%)	Bangladesh (2.6%)	India (2.9%)	Tanzania (2.8%)	Sudan (3.0%)	Tanzania (2.8%)	West Bank and Gaza Strip (3.2%)	India (3.3%)	Kenya (2.7%)	Congo, Dem. Rep (2.4%)
Mozambique (2.6%)	West Bank and Gaza Strip (2.6%)	Indonesia (2.7%)	Jordan (2.6%)	Pakistan (2.5%)	Sudan (2.8%)	Uganda (2.3%)	Mozambique (2.4%)	India (2.7%)	India (2.9%)	West Bank and Gaza Strip (2.9%)	Tanzania (2.6%)	Bangladesh (2.4%)
Tanzania (2.5%)	Egypt (2.5%)	Congo, Dem. Rep (2.5%)	Indonesia (2.6%)	Egypt (2.5%)	Pakistan (2.6%)	Mozambique (2.3%)	Uganda (2.4%)	Bangladesh (2.5%)	Sudan (2.7%)	Iraq (2.5%)	West Bank and Gaza Strip (2.6%)	Mozambique (2.3%)
Uganda (2.1%)	Bangladesh (2.4%)	Egypt (2.5%)	Serbia (2.4%)	Mozambique (2.3%)	Tanzania (2.3%)	West Bank and Gaza Strip (2.2%)	West Bank and Gaza Strip (2.4%)	Mozambique (2.4%)	Congo, Dem. Rep (2.5%)	Sudan (2.4%)	Congo, Dem. Rep (2.5%)	West Bank and Gaza Strip (2.2%)
Afghanistan (0.4%)	Afghanistan (1.2%)											

Source: OECD DAC.

ANNEX 3: ODA (US\$ MILLIONS) TO AFGHANISTAN BY DONOR, 2000–2012

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Norway 30.9	Netherlands 124	US 454	US 588	US 917	US 1,505	US 1,554	US 1,634	US 2,234	US 3,129	US 3,002	US 3,129	US 2,773
EU Institutions 30.5	Norway 98	EU Institutions 230	EU Institutions 272	IDA 277	IDA 334	EU Institutions 246	United Arab Emirates 1,070	EU Institutions 325	EU Institutions 377	Japan 798	Japan 743	Japan 874
Sweden 19.0	EU Institutions 79	UK 175	Japan 174	EU Institutions 247	EU Institutions 294	UK 246	Canada 407	UK 309	Japan 374	Germany 468	Germany 506	Germany 516
Netherlands 17.9	Germany 71	Germany 140	Norway 132	UK 235	UK 228	Canada 180	IDA 353	Germany 275	UK 353	Canada 289	UK 426	UK 434
UK 17.6	UK 51	Netherlands 139	Canada 127	Japan 211	Canada 126	IDA 163	EU Institutions 307	Japan 255	Germany 323	EU Institutions 284	EU Institutions 340	EU Institutions 257
Germany 16.9	Italy 40	Norway 136	UK 119	Norway 117	Germany 111	Japan 145	UK 241	Canada 236	IDA 313	UK 251	Canada 227	ADB Special Funds 233
UNICEF 13.3	Sweden 37	ADB Special Funds 131	Germany 102	Netherlands 105	Norway 91	Germany 130	Germany 216	Australia 190	Canada 286	ADB Special Funds 244	Australia 159	Australia 227
Canada 13.0	Canada 29	Canada 72	Netherlands 99	Canada 88	Japan 90	Norway 97	Japan 139	IDA 170	Norway 146	IDA 148	IDA 150	IDA 172
Switzerland 10.3	Australia 18	Italy 47	IDA 96	Germany 84	Netherlands 90	Netherlands 96	Norway 116	Norway 139	Netherlands 141	Norway 137	Norway 137	Turkey 152
World Food Programme 10.1	Austria 17	Sweden 46	ADB Special Funds 74	Sweden 69	Sweden 55	ADB Special Funds 77	ADB Special Funds 101	Turkey 134	Australia 140	Australia 116	Turkey 130	Norway 126
Austria 10.0	France 17	Japan 44	Sweden 58	UNHCR 56	Turkey 36	Turkey 71	Netherlands 88	Italy 110	ADB Special Funds 128	Netherlands 114	ADB Special Funds 117	Sweden 108
UNHCR 8.8	Switzerland 15	Australia 34	Italy 51	ADB Special Funds 51	Italy 32	Sweden 56	Turkey 75	Netherlands 103	Turkey 102	Turkey 104	Sweden 111	Canada 101
Finland 8.3	Finland 15	United Arab Emirates 34	Korea 27	Italy 44	Denmark 29	Italy 37	Australia 72	Sweden 77	Sweden 93	Sweden 100	Netherlands 102	United Arab Emirates 97
UNDP 7.2	UNICEF 14	IDA 31	Denmark 25	Australia 39	Australia 27	Australia 35	Italy 63	ADB Special Funds 65	Spain 91	Korea 99	Denmark 85	Denmark 81
Australia 5.8	Luxembourg 13	Spain 30	Switzerland 24	Switzerland 27	ADB Special Funds 27	Denmark 35	Sweden 61	Spain 64	Denmark 85	Denmark 77	France 62	Korea 79
All other donations 14.7	All other donations 88	All other donations 214	All other donations 142	All other donations 212	All other donations 218	All other donations 173	All other donations 340	All other donations 318	All other donations 438	All other donations 395	All other donations 377	All other donations 438

Source: OECD DAC; ADB, Asian Development Bank; IDA, International Development Association of the World Bank.

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Global Humanitarian
Assistance

A DEVELOPMENT INITIATIVE 

UK office

Development Initiatives Ltd, North Quay House, Quay side
Temple Back, Bristol, BS1 6FL, UK T: +44 (0) 1179 272 505

Email: gha@devinit.org www.globalhumanitarianassistance.org

Kenya office

Development Initiatives Ltd, Shelter Afrique Building, 4th Floor
Mamlaka Road, Nairobi, PO Box 102802-00101, Kenya
T: +254 (0) 20 272 5346

Development Research and Training, Uganda

Development Research and Training (DRT), Ggaba Road
Mutesasira Zone, Kansanga, Kampala, PO Box 22459, Uganda
T: +256 (0) 312 - 263629/30

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