

# AFGHANISTAN

Tracking major resource flows  
2002-2010

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WORKSTREAMS:

 Conflict & the Military

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## INTRODUCTION

This report reflects on what we know of international contributions to Afghanistan, including aid, security and military-related spending from 2002 to the latest available data. It considers the contributions of domestic resources and other resource flows in Afghanistan, including foreign direct investment, remittances and illicit flows. It also identifies critical gaps in our knowledge with regard to tracking resource flows for poverty reduction, including and beyond aid.

TOTAL AID PLEDGED  
**US\$62 billion**  
2002–13

TOTAL INTERNATIONAL AID  
**US\$26.7 billion**  
2002–09

AID WITH LITTLE OR NO AFGHAN  
GOVERNMENT INVOLVEMENT  
**77%**  
2009

HUMANITARIAN AID IN 2009  
**US\$592 million**

AID IN 2009  
**US\$6.1 billion**  
2009

NATO ISAF TROOPS  
**131,730**  
DECEMBER 2009

FOREIGN MILITARY OPERATIONS  
**US\$63.1 billion**  
2009

GOVERNMENT REVENUE  
**US\$1.3 billion**  
2009

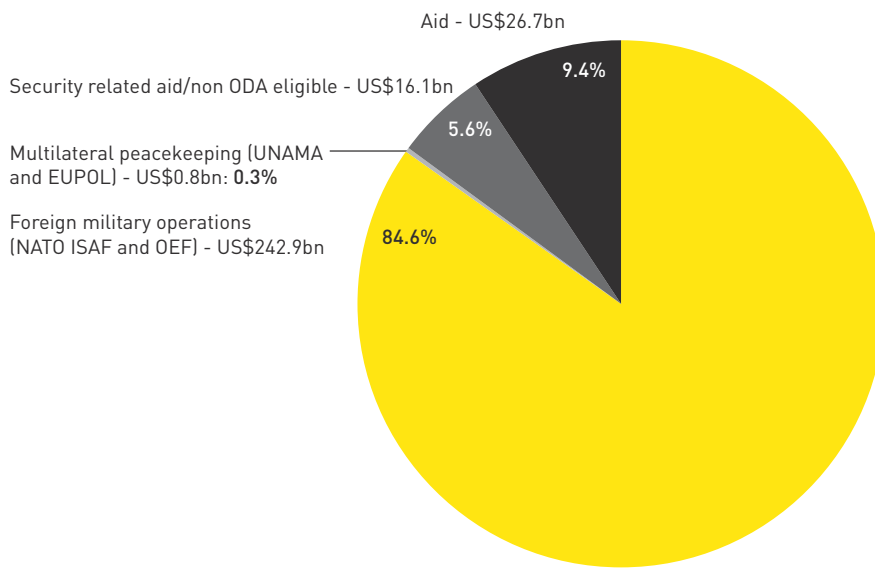
# INTERNATIONAL INVESTMENTS IN AFGHANISTAN

Since late 2001, Afghanistan has become a major site of concentration of international aid, security and military resources, totalling around US\$286.4 billion, or US\$9,426 per Afghan citizen.

Between 2002 and 2009, US\$26.7 billion in aid was spent in Afghanistan. By 2009, Afghanistan was the leading global recipient of official development assistance (ODA), for the second consecutive year.

Afghanistan also hosts the world's largest and most costly international peacekeeping force mandated by the United Nations (UN). Foreign military operations in the country have cost in excess of US\$242.9 billion. Volumes of funding in support of building the security sector and of counter-narcotics activities are extremely difficult to trace, but total at least US\$16.1 billion.

FIGURE 1: INTERNATIONAL AID, SECURITY AND MILITARY EXPENDITURE, 2002-2009



Sources: Development Initiatives based on OECD DAC data; Government of the Islamic Republic of Afghanistan (GIRoA) Donor Assistance Database (DAD); Stockholm International Peace Research Institute (SIPRI) database of Multilateral Peacekeeping Operations; and Development Initiatives research

## NOTE ON AID TERMINOLOGY

### AID

For the purposes of this report, 'aid' refers to official development assistance (ODA) reported to the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC), plus aid reported to the Afghanistan Donor Assistance Database (DAD) by government donors who do not report to the OECD DAC.

The relatively small amount of aid included here which is reported through the Afghanistan DAD may include aid that is not considered eligible under the OECD DAC's criteria for ODA.

### OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

ODA is a grant or loan from an 'official' (government) source to a developing country or multilateral agency for the promotion of economic development and welfare.

It is reported by members of the OECD DAC according to strict criteria each year and by a small number of donors outside of the OECD DAC group, who typically report a less comprehensive dataset.

### CURRENT/CONSTANT PRICES

All figures stated are current prices unless stated otherwise. Constant (real terms) figures show how expenditure has changed over time after removing the effects of exchange rates and inflation. DAC deflators, along with annualised exchange rates, are available at: [www.oecd.org/dac](http://www.oecd.org/dac). The base rate year used by the DAC during 2010 was 2008.

For fuller definitions of these and other terms, see 'Basic concepts and definitions' on page 21.

## EVENTS

## OUTCOMES

2001

Bonn Agreement

Keywords: **Transitional Authority, constitution, elections, ISAF**

- 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 roles 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**

2004

Constitution

- **New constitution** adopted.

Berlin Donor Conference

Keywords: **recovery, reform, development**

Elections

- Hamid Karzai elected in **presidential elections**.

2005

Elections

- National Assembly and Provincial Council elections.

2006

Afghanistan Compact

Keywords: **poverty reduction, aid effectiveness**

- Successor to the Bonn Agreement; defined principles of cooperation for 2006–11.
- Agreed pillars of activity: security; governance, rule of law and human rights; economic and social development.
- Performance benchmarks and timelines agreed (many by end of 2010).
- Commitments made to improve aid effectiveness.

2008

Afghan National Development Strategy (ANDS)

- The ANDS established the strategy, policies, programmes and projects of the Government of the Islamic Republic of Afghanistan (GIRoA) to be implemented from 2008 to 2012 to achieve the **GIRoA's development objectives**. 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.

Paris Declaration

Keywords: **reconstruction, development**

- Donors expressed commitments in support of the ANDS.

2009

The Hague Conference Declaration

Keywords: **good governance, economic growth, security**

- Participants stressed the need for greater Afghan ownership of security and economic development.

2010

London Conference

Keywords: **security, anti-corruption, reconciliation**

- A phased transition to an Afghan lead on security operations to begin late 2010/early 2011.
- Targets for significant increases in Afghan National Army (ANA) and Afghan National Police (ANP) personnel announced: 171,000 recruits to the ANA and 134,000 to the ANP by the end of 2011.
- Significant increases in international forces (to around 135,000) announced with an accompanying 'civilian surge'.
- A Peace and Reintegration Trust Fund mooted to offer economic alternatives to those who renounce violence.
- Commitments made to better-coordinated development assistance, increasingly channelled through the GIRoA. In turn, the GIRoA committed to anti-corruption measures.

Kabul Conference

Keywords: **security handover**

- Afghan forces to lead security operations by 2014.
- At least 50% of aid to be channelled through the Government of Afghanistan.

## HAVE AID PLEDGES BEEN MET?

Donors have pledged a total of US\$62 billion in aid for the reconstruction of Afghanistan in a series of donor conferences and supplemental pledges for the period 2002–13.<sup>1</sup>

Between 2002 and 2009, 43.1% of the total US\$62 billion pledged was disbursed to development projects and activities.

Individual donor governments vary significantly in their delivery against pledges. Amongst the leading ten donors, the European Union (EU) Institutions<sup>2</sup>, Germany, Sweden and the Netherlands have disbursed more than they pledged, while at the end of 2009 the United States and India had yet to deliver 60% of the amounts that they pledged for the whole period up to 2013. (See figure 2).

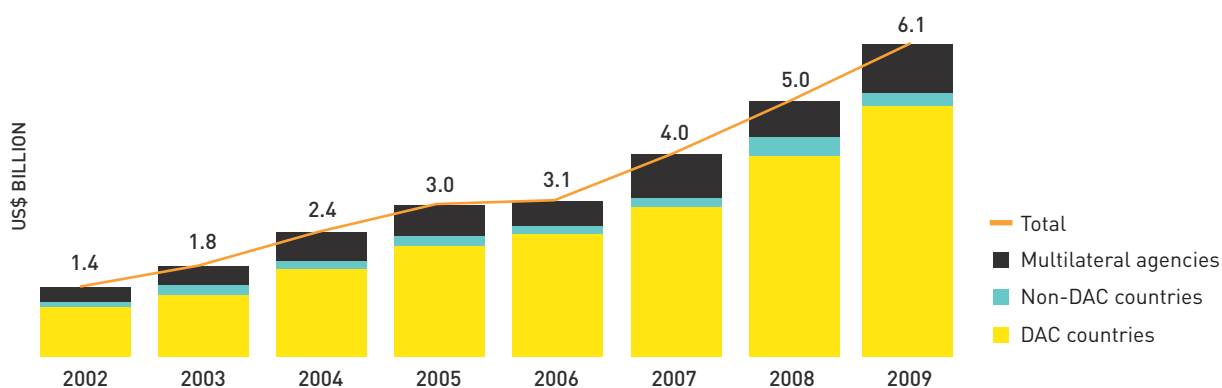
FIGURE 2: AID PLEDGES, COMMITMENTS AND DISBURSEMENTS

	TOTAL PLEGGED 2002-2013	TOTAL COMMITTED 2002-2009	TOTAL DISBURSED 2002-2009	% OF PLEDGES DISBURSED BY END 2009
	US\$bn	US\$bn	US\$bn	
United States	38.0	28.4	10.9	28.8%
EU Institutions	2.0	2.0	2.1	102.8%
United Kingdom	2.9	1.8	1.8	63.3%
Germany	1.2	1.0	1.3	108.0%
Canada	1.7	1.2	1.2	70.3%
Japan	1.9	1.4	1.0	52.5%
Netherlands	0.8	0.9	0.8	102.4%
Norway	0.9	0.6	0.7	71.0%
India*	1.2	1.2	0.4	36.1%
Sweden	0.3	0.5	0.4	147.3%
Italy	0.5	0.4	0.4	79.6%
Turkey	0.2	0.2	0.4	213.7%
Australia	0.4	0.2	0.4	98.8%
Iran (Islamic Republic of)*	0.9	0.3	0.3	39.5%
Spain	0.5	0.1	0.3	59.8%
Denmark	0.7	0.3	0.3	40.2%
France	0.2	0.2	0.2	105.9%
Finland	0.2	0.2	0.1	97.0%
Russia*	0.1	0.1	0.1	104.1%
Switzerland	0.1	0.1	0.1	102.9%
Multilateral agencies	5.3	4.0	2.7	50.6%
Others	5.9	3.3	0.7	12.3%
<b>Total</b>	<b>62.0</b>	<b>46.1</b>	<b>26.7</b>	<b>43.1%</b>

Sources: Development Initiatives based on GIRoA Ministry of Finance data; Afghanistan DAD; and OECD DAC data.

\*Note: all disbursements are based on OECD DAC data, excluding India and Russia, which are based on Afghanistan DAD data.

FIGURE 3: AID DISBURSEMENTS TO AFGHANISTAN FROM GOVERNMENT DONORS AND MULTILATERAL AGENCIES, 2002–2009



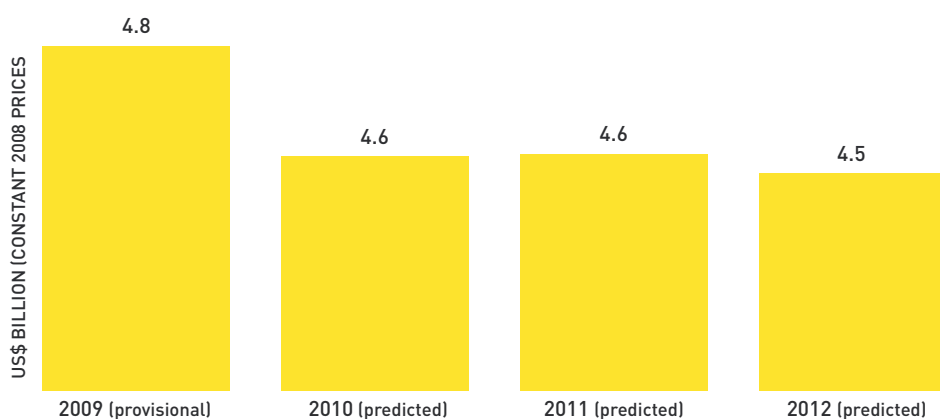
Source: Development Initiatives, based on OECD DAC and Afghanistan DAD data

The volume of aid disbursed has risen each year since 2002, to a high of US\$6.1 billion in 2009. (See figure 3).

The OECD DAC survey of forward spending plans of 20 OECD DAC donors and 11 multilateral agencies, however, indicates that country programmable aid<sup>3</sup> spending in Afghanistan was expected to fall in 2010 – although this does not include predicted aid from the United States,

Japan and Greece, who have not reported their forward spending plans to the OECD DAC.<sup>4</sup> The United States contributed 49.1% and Japan 2.8% of the total ODA to Afghanistan in 2009. Their omission from these forward spending plans is therefore a significant barrier to achieving more predictable aid. (See figure 4).

FIGURE 4. PLANNED COUNTRY PROGRAMMABLE AID TO AFGHANISTAN, EXCLUDING PREDICTED AID FROM UNITED STATES, JAPAN AND GREECE



Source: OECD DAC

FIGURE 5: TOP FIVE RECIPIENTS OF AID FROM ALL DONORS REPORTING TO THE OECD DAC, 2002-2009, CONSTANT 2008 PRICES, US\$ BILLION

	2001	2002	2003	2004	2005	2006	2007	2008	2009
India	2.5	Pakistan 2.8	Iraq 2.8	Iraq 5.1	Iraq 8.8	Iraq 5.9	Iraq 4.5	Afghanistan 4.9	Afghanistan 6.2
Pakistan	2.5	Palestinian /OPT 2.5	Viet Nam 2.2	Afghanistan 2.7	Afghanistan 3.2	Afghanistan 3.3	Afghanistan 4.1	Ethiopia 3.3	Ethiopia 3.9
Serbia	2.3	India 2.4	Tanzania 2.2	Viet Nam 2.1	Indonesia 2.3	Pakistan 2.4	Viet Nam 2.7	Iraq 3.3	Viet Nam 3.7
China	2.2	China 2.0	Afghanistan 2.1	Ethiopia 2.0	Viet Nam 2.2	Sudan 2.3	Ethiopia 2.7	Palestinian /OPT 2.6	Palestinian /OPT 3.1
Viet Nam	2.1	Afghanistan 2.0	Ethiopia 2.0	Tanzania 2.0	Ethiopia 2.2	Viet Nam 2.1	Pakistan 2.3	Viet Nam 2.5	Tanzania 3.0

Source: Development Initiatives, based on OECD DAC data

### AFGHANISTAN COMPARED WITH OTHER AID RECIPIENTS

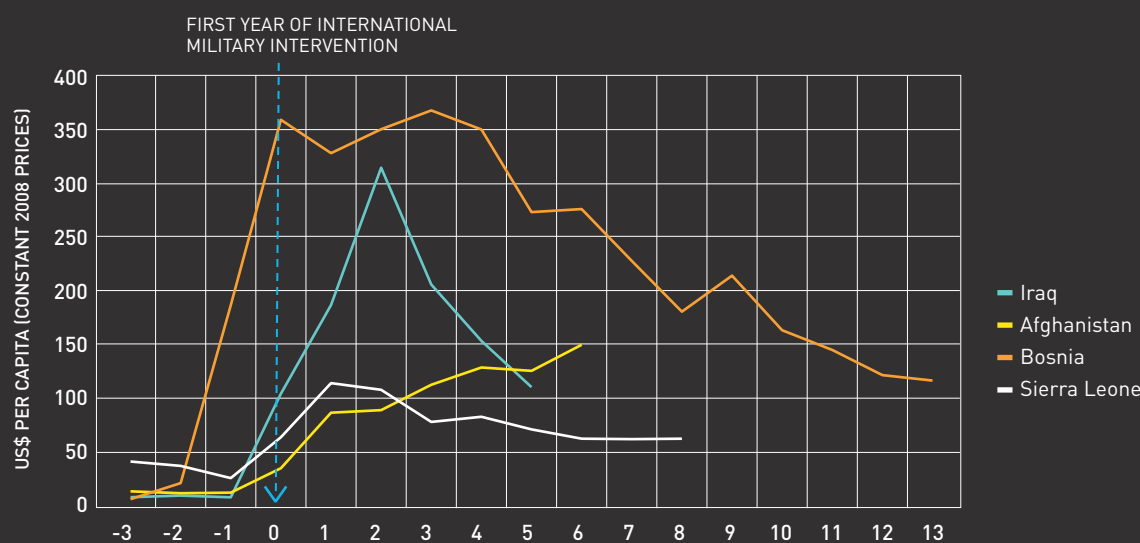
In 2000, the year before the war, Afghanistan was the 69th largest recipient of ODA worldwide, receiving 0.3% of total ODA flowing to developing countries. By 2008, it had become the world's leading aid recipient.

Afghanistan's share of total ODA to developing countries increased again by a massive US\$1.3 billion in 2009 to a historic high of US\$6.2 billion (constant 2008 prices), the second largest amount ever received in a single year

by any recipient country, behind Iraq's US\$8.8 billion in 2005. In 2009, Afghanistan received 4.9% of total ODA to developing countries. (See figure 5).

Despite the relatively large overall volumes of aid, Afghanistan has received less aid per person from donors reporting to the OECD DAC than other countries that have also recently experienced interventions by international forces prior to the establishment of multilateral peacekeeping operations. At its peak, Afghanistan received US\$172 per person, compared with Bosnia's peak of US\$369 and Iraq's peak of US\$315. (See figure 6).

FIGURE 6. AID PER CAPITA IN RELATION TO YEARS BEFORE AND AFTER INTERNATIONAL MILITARY INTERVENTIONS



Source: Development Initiatives, based on OECD DAC data

FIGURE 7: TOP TEN GOVERNMENT DONORS, PLUS THE EU INSTITUTIONS, 2002–2009

	TOTAL BILATERAL AID DISBURSED	BILATERAL AID TO AFGHANISTAN AS % OF AID FROM ALL DONORS	CONTRIBUTIONS TO AID SPENT THROUGH MULTILATERAL AGENCIES	SHARE OF BILATERAL AID CHANNELLED VIA GOVERNMENT ALIGNED POOLED FUNDS	NATIONAL TROOP CONTRIBUTION AS SHARE OF TOTAL ISAF FORCE AT OCT 2010
	US\$m		US\$m		
United States	10,926	40.9%	278	7.7%	69.0%
EU Institutions	2,093	7.8%	24	31.1%	-
United Kingdom	1,835	6.9%	522	44.0%	7.3%
Germany	1,283	4.8%	638	19.5%	3.4%
Canada	1,181	4.4%	80	43.8%	2.2%
Japan	997	3.7%	362	15.5%	0.0%
Netherlands	771	2.9%	212	45.0%	0.3%
Norway	666	2.5%	86	26.7%	0.3%
India*	434	1.6%	No data	0.3%	-
Sweden	426	1.6%	80	25.7%	0.4%
Italy	410	1.5%	361	20.1%	2.5%

Sources: Development Initiatives, based on OECD DAC; World Bank; United Nations Development Programme (UNDP); and NATO data.

## WHO ARE THE MAIN DONORS?

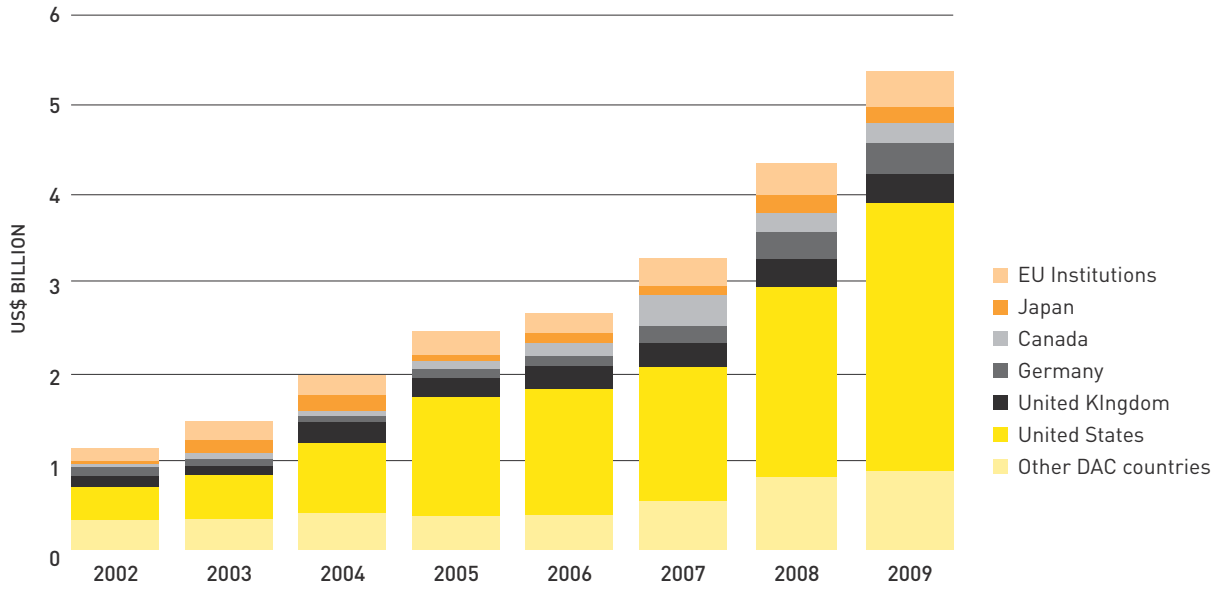
Donors reporting to the OECD DAC account for the largest share of aid to Afghanistan. The United States is the largest donor by a clear margin, having provided 40.9% of the total aid between 2002 and 2009. The top five donors reporting to the DAC – the United States, the **EU Institutions**, the United Kingdom, Germany and Canada – collectively provided 64.9% of the total aid to Afghanistan between 2002 and 2009. (See figure 7).

OECD DAC member governments have provided a growing share of the total volume of aid to Afghanistan, from 72.5% in 2002 to 80.4% in 2009. Moreover, donor contributions have shown an increasing concentration, with the share of the United States growing from 27.0% of the total in 2002 to 48.7% of all aid contributions in 2009. (See figure 8).

Government donors outside of the OECD DAC have reported US\$1.6 billion in contributions, 6.0% of the total aid received between 2002 and 2009. India is the leading non-DAC donor by volume, having contributed US\$432.2 million, followed by Turkey with US\$406.1 million and Iran with US\$340.9 million. (See figure 9).

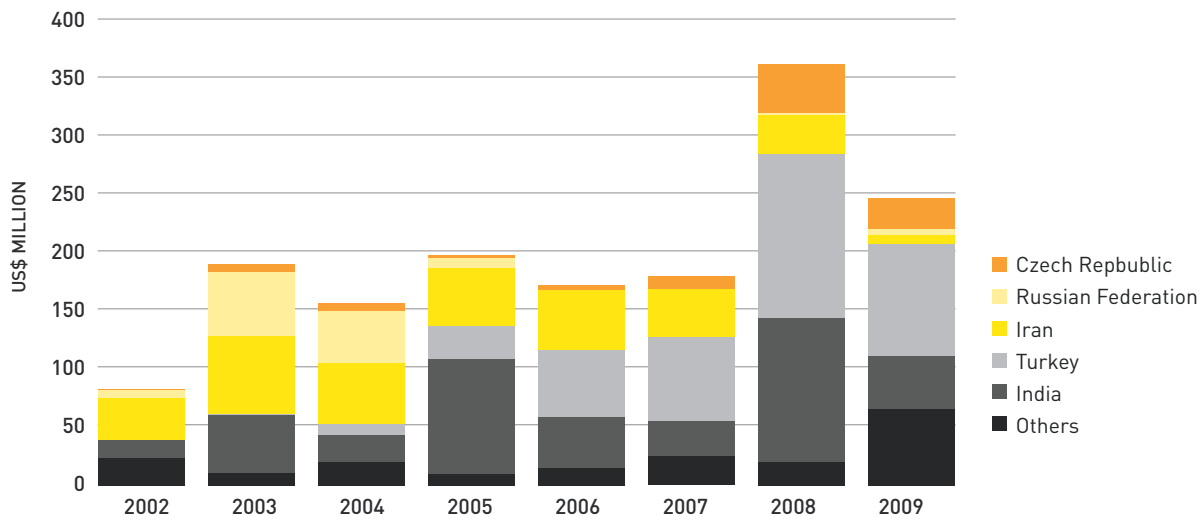


FIGURE 8: DAC DONOR AID TO AFGHANISTAN 2002–2009



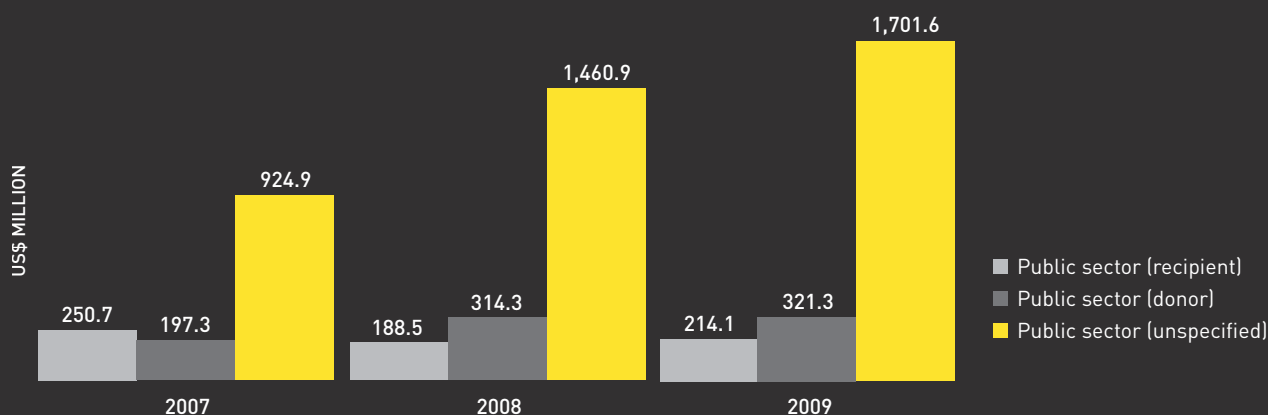
Source: Development Initiatives, based on OECD DAC data

FIGURE 9: NON-DAC DONOR AID TO AFGHANISTAN, 2002–2009



Source: Development Initiatives, based on OECD DAC and Afghanistan DAD data

FIGURE 10: AID CHANNELLED THROUGH THE PUBLIC SECTOR, 2007–2009



Source: Development Initiatives based on OECD DAC CRS data

## HOW IS AID SPENT?

### FUNDING THROUGH THE GOVERNMENT

The Government of the Islamic Republic of Afghanistan (GIRoA) estimates that 77% of aid channelled to the country up to mid-2009 was directed bilaterally to projects, with little or no involvement from the government itself.<sup>5</sup>

The largest proportion of aid captured within the OECD DAC Creditor Reporting System (CRS) is reported as having been channelled via the public sector. In 2009, 38.9% of aid reported to the CRS was channelled via the public sector. However, within this category a relatively small amount, and a falling proportion of the total aid

channelled through public sector actors, is reported as having been channelled through the Afghan government. (See figure 10).

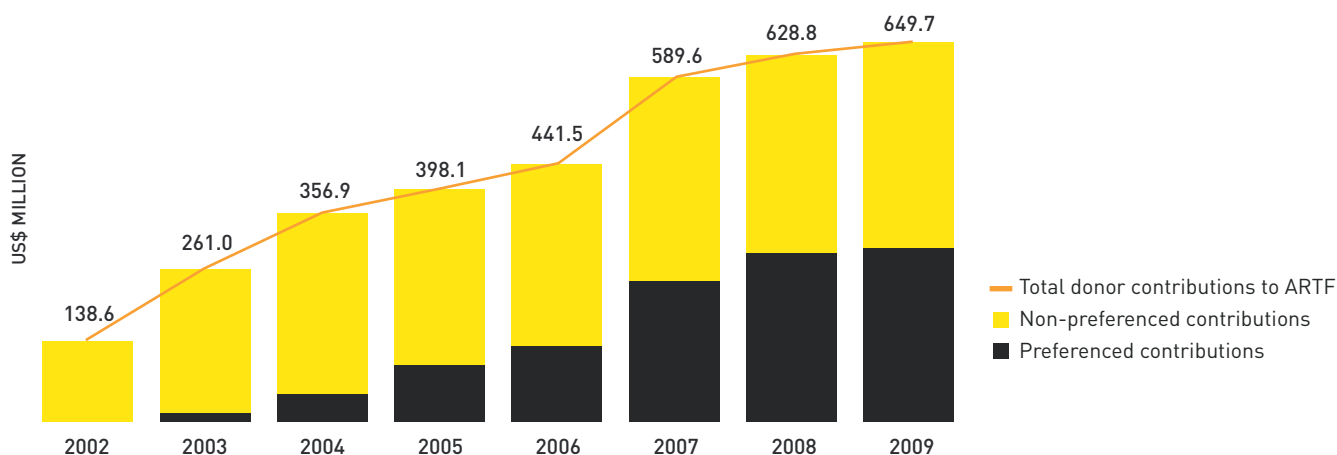
Of the 23% of funds that the GIRoA reports as having been government-managed between 2002 and July 2009, 47.4% was channelled via three major pooled funds, which support government-identified priorities described in the 2008 Afghan National Development Strategy (ANDS). The GIRoA has primary responsibility for the prioritisation and management of funds, while third party fiduciary agents receive and administer funds on behalf of donors and the GIRoA. (See figure 11).

FIGURE 11: GOVERNMENT-ALIGNED POOLED FUNDS IN AFGHANISTAN

NAME	LAW AND ORDER TRUST FUND FOR AFGHANISTAN (LOTFA)		AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)		COUNTER NARCOTICS TRUST FUND (CNTF)	
Administering agent	UNDP		World Bank		UNDP	
Period of contributions reported	Jan-02	Dec-10	Jan-02	Oct-10	Jun-05	Dec-09
Total value of contributions	US\$1,594m		US\$3,984m		US\$68m	

Sources: World Bank and UNDP

FIGURE 12: DONOR CONTRIBUTIONS TO THE AFGHANISTAN RECONSTRUCTION TRUST FUND, 2002–2009



Source: Development Initiatives, based on World Bank data

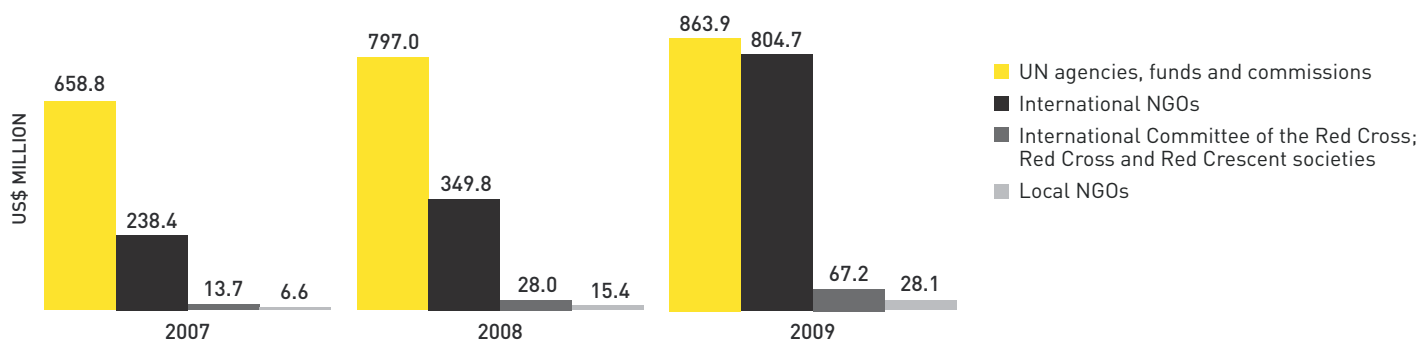
Contributions to the largest fund, the Afghan Reconstruction Trust Fund (ARTF), have increased year-on-year since the fund's creation in 2002. However, the proportion of total aid channelled via the ARTF has fallen from a peak of 14.9% in 2007, to 10.6% in 2009. 'Preferencing', whereby donors can express a preference as to where and on what their contributions are spent for up to 50% of their total contributions, has increased, from just 6.2% of the total in 2003 to 45.7% in 2009. (See figure 12).

#### FUNDING THROUGH THE UNITED NATIONS (UN) AND CIVIL SOCIETY

The UN, non-governmental organisations (NGOs) and the International Committee of the Red Cross (ICRC), Red Cross and Red Crescent Societies are an important channel of delivery for donor funds to Afghanistan, collectively receiving US\$1.8 billion, or 30.5%, of the aid reported to the OECD DAC CRS in 2009.

International NGOs received a significant US\$454.8 million increase in aid between 2008 and 2009. The volume of funds channelled through Afghan NGOs roughly doubled in 2008 and again in 2009, but remains overall at a relatively low level, at just US\$28.1 million or 0.5% of the total aid reported to the CRS, compared with 13.9% channelled via international NGOs in 2009. (See figure 13).

FIGURE 13: AID CHANNELLED THROUGH UNITED NATIONS AGENCIES, INTERNATIONAL AND LOCAL NGOS, INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC) AND THE RED CROSS AND RED CRESCENT SOCIETIES, 2007–2009



Source: Development Initiatives based on OECD DAC Creditor Reporting System (CRS) data

## FUNDING THROUGH MILITARY ACTORS

Of the funding that the GIRoA Ministry of Finance estimates to be outside its control, a significant proportion is channelled through foreign military actors, via two North Atlantic Treaty Organisation (NATO) managed trust funds and 27 joint civilian- and military-managed Provincial Reconstruction Teams (PRTs), or channelled directly to aid projects and implementing agencies by foreign military actors.

The NATO-managed Afghan National Army (ANA) Trust Fund has been rapidly increasing in importance since its function was expanded in 2009 to include support to the 'sustainment' or recurrent costs of the ANA. It received donor contributions of US\$224.7 million between January 2007 and April 2010. NATO also manages a relatively small Post-Operations Emergency Relief Fund, which received US\$3.5 million in donor contributions between January 2007 and October 2010.

The GIRoA estimates that around US\$2 billion in aid has flowed via PRTs, and of this US\$517.7 million is recorded

within the Afghanistan Development Assistance Database (DAD). (See figure 14). NATO meanwhile reports that PRT activities have contributed 'more than US\$545 million'.<sup>6</sup>

There are significant gaps in the data on funds channelled via military actors. A total of US\$939.2 million in aid channelled via foreign military actors is captured within the Afghanistan DAD, but the Ministry of Finance estimates that around US\$14.9 billion in aid was channelled to Afghanistan via foreign military sources between 2002 and July 2009.<sup>7</sup>

## WHAT IS AID SPENT ON?

### SECTORAL FUNDING

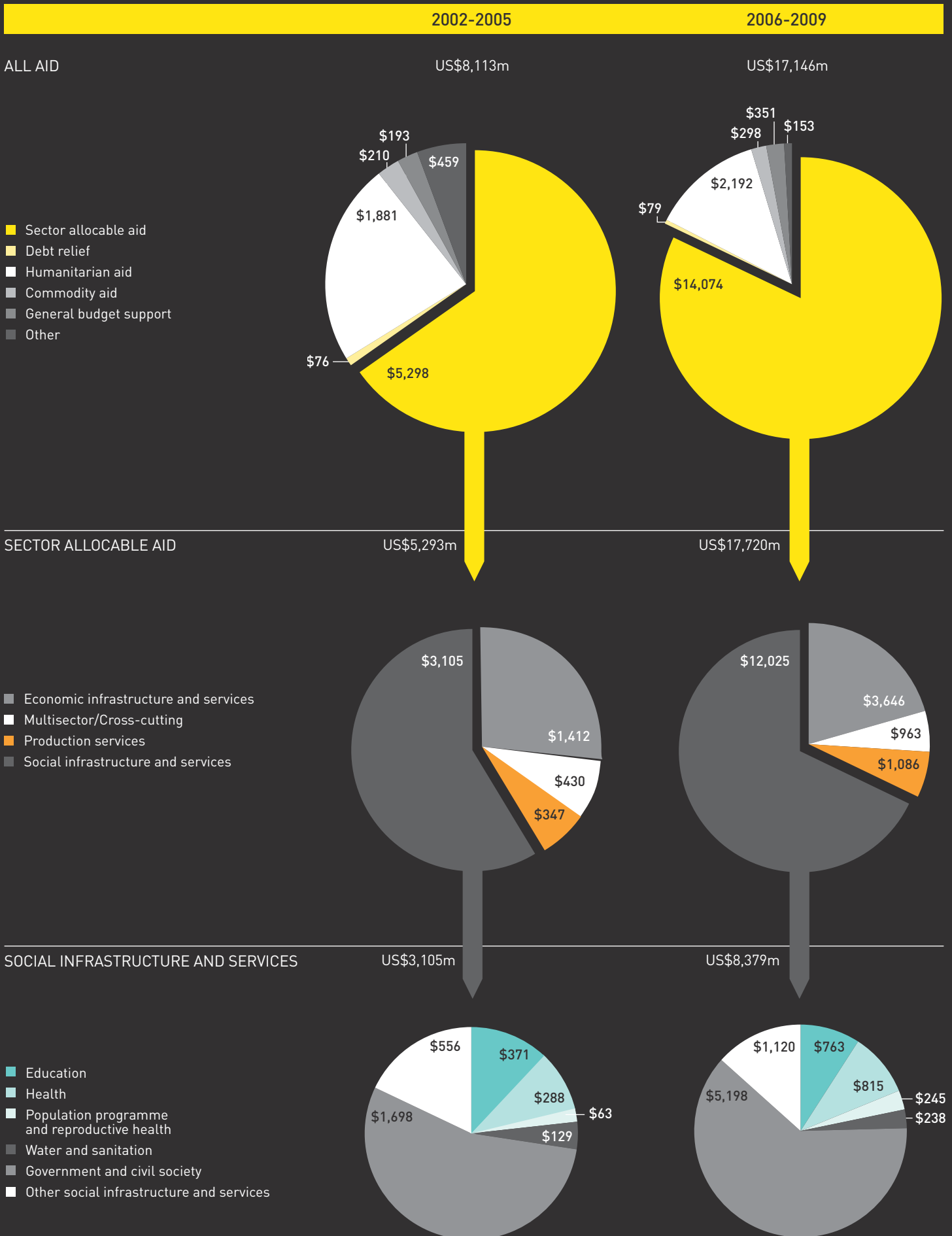
Of the aid reported to the OECD DAC, there has been a clear shift in emphasis away from humanitarian aid towards spending on sector-allocable aid, notably aid directed towards social infrastructure and services, of which the largest share is for activities aimed at building the capacity of government and civil society. (See figure 15).

FIGURE 14: AID CHANNELLED THROUGH MILITARY IMPLEMENTING ACTORS, 2002–2009

DONOR	FIRST-LEVEL IMPLEMENTING AGENCY		
	ISAF	PRT	DONOR MILITARY
	US\$m	US\$m	US\$m
EU Institutions	1.6	-	-
Finland	8.7	3.2	-
France	-	-	-
Netherlands	0.0	-	-
Poland	-	4.3	-
Sweden	5.3	2.0	-
United States (DoD)	-	508.3	372.3
United States (USAID)	-	-	33.5
<b>Total</b>	<b>15.7</b>	<b>517.7</b>	<b>405.8</b>

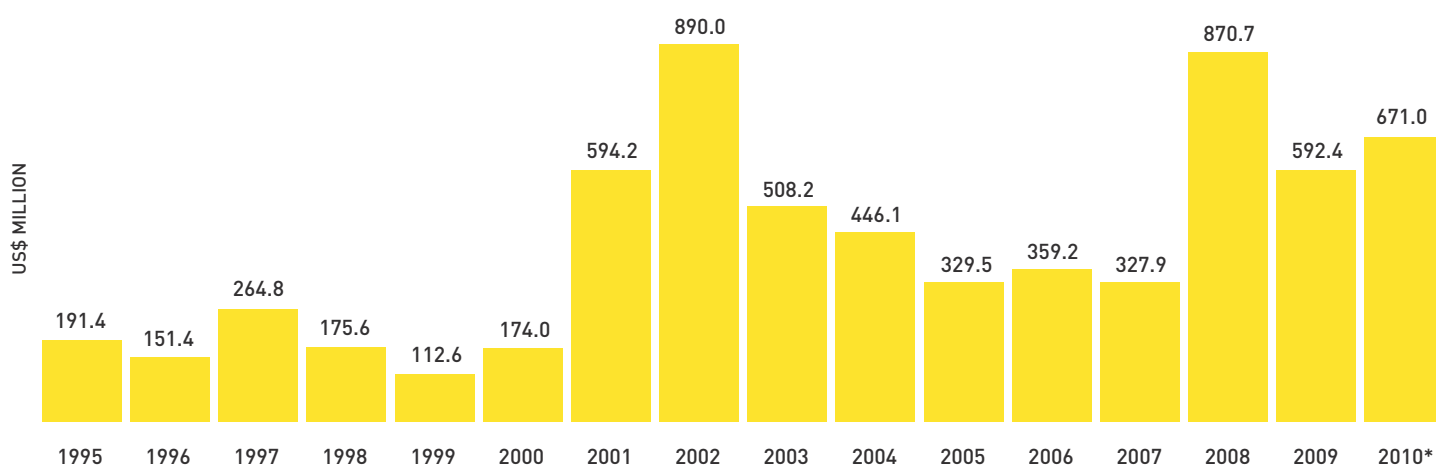
Source: Development Initiatives, based on Afghanistan DAD data

FIGURE 15: AID TO AFGHANISTAN BY CATEGORY, CONSTANT 2008 PRICES, US\$ MILLION



Source: Development Initiatives based on OECD DAC CRS data

FIGURE 16: HUMANITARIAN AID TO AFGHANISTAN, 1995–2010



Source: Development Initiatives based on OECD DAC and UN OCHA Financial Tracking Service (FTS) data. \*Note: 2010 data is reported from the OCHA FTS, which is not subject to the same reporting criteria as the OECD DAC. Figure are therefore often higher than the OECD DAC and are not directly comparable

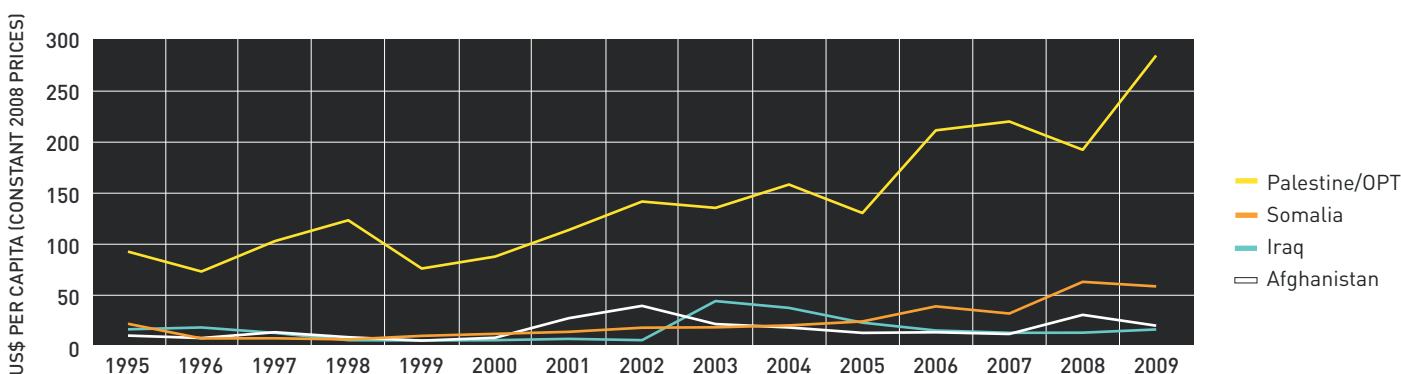
### HUMANITARIAN AID

Humanitarian aid increased by 241.5% between 2000 and 2001, reaching a peak of US\$890.0 million in 2002, following the invasion in late 2001. Humanitarian aid had been on a sharp downward trend since 2002 until a second upsurge in 2008 to US\$870.7 million, when food shortages and increased insecurity contributed to a significant elevation in humanitarian needs. This growth in humanitarian aid has not been sustained, however, and in 2009, despite the US\$1.3 billion increase in total aid, it fell by US\$278.3 million to just US\$592.4 million. (See figure 16).

Afghanistan is one of the world's leading recipients of humanitarian aid, and yet on a per capita basis, it receives far less than OPT/Palestine and significantly less than Somalia. In its peak year (2002), Afghanistan received US\$39.60 per person compared with Iraq (2003) US\$44.30, Somalia (2008) US\$63.20 and OPT/Palestine (2009) US\$284.90. (See figure 17).

Afghanistan has been the subject of a UN consolidated appeal (CAP) only three times between 2000 and 2010. The humanitarian community has lacked a platform from which to advocate for humanitarian funding amidst the powerful

FIGURE 17: HUMANITARIAN AID PER CAPITA COMPARISON WITH OTHER CONFLICT-AFFECTED HUMANITARIAN CRISES



Source: Development Initiatives based on OECD DAC data

FIGURE 18: SHARE OF FUNDING WITHIN THE UN HUMANITARIAN ACTION PLAN (HAP) FOR AFGHANISTAN RECEIVED BY UN AGENCIES AND NGOS

APPEAL TITLE	UN AGENCIES (PLUS IOM)					NGOS					ALL RECIPIENTS	
	TOTAL FUNDING US\$ m	% OF TOTAL FUNDING	NO. OF PROJECTS FUNDED	% OF TOTAL NO. PROJECTS FUNDED	AVERAGE PROJECT SIZE US\$ m	TOTAL FUNDING US\$ m	% OF TOTAL FUNDING	NO. OF PROJECTS FUNDED	% OF TOTAL NO. PROJECTS FUNDED	AVERAGE PROJECT SIZE US\$ m	TOTAL FUNDING US\$ m	NO. OF PROJECTS FUNDED
Afghanistan HAP 2009	492.0	95%	27	61%	18.2	28.0	5%	17	39%	1.6	520.0	44
Afghanistan HAP 2010	393.4	76%	19	30%	20.7	125.2	24%	45	70%	2.8	518.6	64

Source: Development Initiatives, based on UN OCHA FTS data

reconstruction, state-building and stabilisation priorities of many of the major donors. Only since the establishment of a UN Office for the Coordination of Humanitarian Affairs (OCHA) office in Kabul in 2009 has Afghanistan consistently prepared a humanitarian action plan (HAP) and participated in the UN humanitarian appeal process.

Afghanistan does not have a country-level pooled humanitarian fund.<sup>8</sup> It is the seventh largest recipient of funds from the UN's Central Emergency Response Fund (CERF), receiving US\$71.2 million from the fund's inception in 2006 to 2010.

In late 2009 a country-level Emergency Response Fund (ERF) was created to enable national and international NGOs to access funds to respond to unforeseen humanitarian needs. The ERF was established with modest contributions of US\$6.3 million in total; these came from Sweden (US\$3.5 million), Norway (US\$1.1 million), the Netherlands (US\$0.7 million), Ireland (US\$0.6 million) and Australia (US\$0.4 million).

2010 funding to the UN HAP for Afghanistan indicates that, while the overall amount of humanitarian funding to the appeal has not increased, NGOs are increasingly participating in and securing a greater share of the total humanitarian funding received. [See figure 18].

## DOMESTIC SECURITY

Donors reporting to the OECD DAC have contributed US\$2.1 billion to activities within the security sector, including demining, security system management and reform and post-conflict peace-building. The OECD DAC's eligibility criteria for security-related spending do not allow the costs of 'military equipment or services', including training, to be counted as ODA. Consequently, donor contributions to funding training, equipment and sustainment costs of the Afghan National Army and police and some counter-narcotics activities that are non-ODA-eligible are not reflected in the OECD DAC data.

A slightly higher volume of funds to the security sector is captured within the Afghanistan DAD, which records US\$3 billion, including US\$24 million from the GIRoA. (See figure 19). The real costs of building the security sector in Afghanistan remain, however, largely untracked.

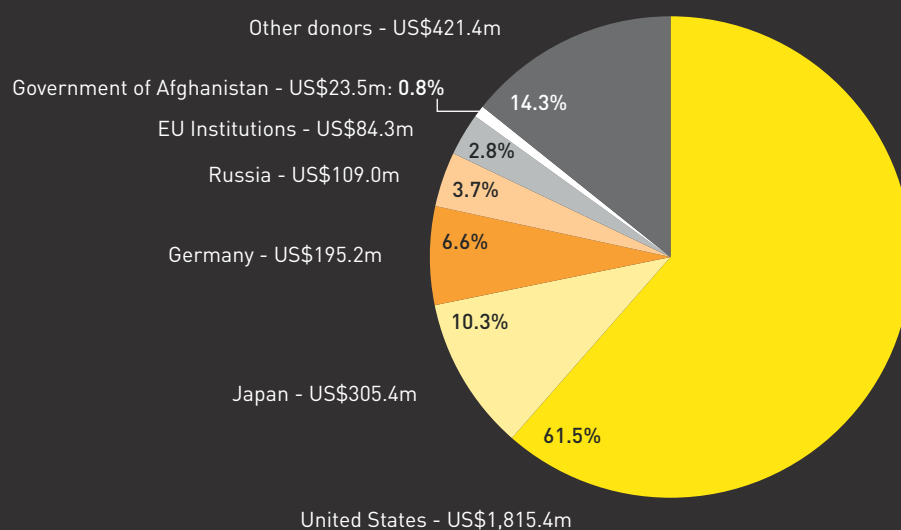
A limited selection of non-ODA-eligible security and counter-narcotics related donor funding for Afghanistan – from the United States and United Kingdom and from donors contributing to the NATO ANA Trust Fund – totalled US\$16.1 billion between 2002 and 2009. (See figure 20).

FIGURE 20: NON-ODA-ELIGIBLE SECURITY-RELATED AID TO AFGHANISTAN, 2002–2009

DONOR/FUND	US\$m
NATO ANA Trust Fund	35.3
United States	15,663.9
United Kingdom	363.4
<b>Total</b>	<b>16,062.6</b>

Sources: Development Initiatives, based on NATO; United Kingdom Foreign and Commonwealth Office; United States Special Inspector General for Reconstruction in Afghanistan (SIGAR); and OECD DAC data

FIGURE 19: FUNDING TO THE SECURITY SECTOR, 2002–2009



Source: Development Initiatives, based on Afghanistan DAD data



## EXTERNAL SECURITY PRESENCE

By far the greatest expenditure associated with international involvement in Afghanistan is the cost of foreign military operations, which has risen steadily since 2003. Reported spending rose sharply from 2006 to reach a new high of US\$63.1 billion in 2009, more than ten times the total international aid investment in the same year.

The International Security Assistance Force (ISAF) in Afghanistan was the largest global peacekeeping operation for the fourth year running in 2010.<sup>9</sup> ISAF is a UN-mandated force and was originally authorised to secure Kabul and the surrounding areas in December 2001, to allow a secure space for the new transitional government to convene. NATO assumed leadership of ISAF in August 2003, and ISAF's mandate was expanded to cover the whole country in October 2003. The NATO-led ISAF force progressively took over command of the international military forces under the US-led coalition throughout the country, and had complete command by 2006.

The United States-led Operation Enduring Freedom (OEF) continues to conduct counter-insurgency operations separately from the NATO-led ISAF operation.

Figure 21 provides a partial and conservative estimate of the costs of the ISAF and OEF operations. This is based on budgeted or officially declared actual costs of a number of the major troop-contributing nations to the NATO ISAF force and to the United States-led OEF. Reported ISAF costs are based on data from troop-contributing nations who provided 87% of total troop numbers as at 14 December 2010.

The number of troops participating in the NATO ISAF force more than doubled between 2007 and 2009. The cost of military operations in 2010 was likely to be considerably higher than in 2009 following a 'troop surge' that increased the force by almost 46,000 troops between December 2009 and December 2010. (See figure 22)

FIGURE 22: TOTAL TROOP NUMBERS IN NATO ISAF FORCE

DECEMBER 2007	DECEMBER 2008	DECEMBER 2009	DECEMBER 2010
41,700	51,350	85,795	131,730

Source: NATO ISAF

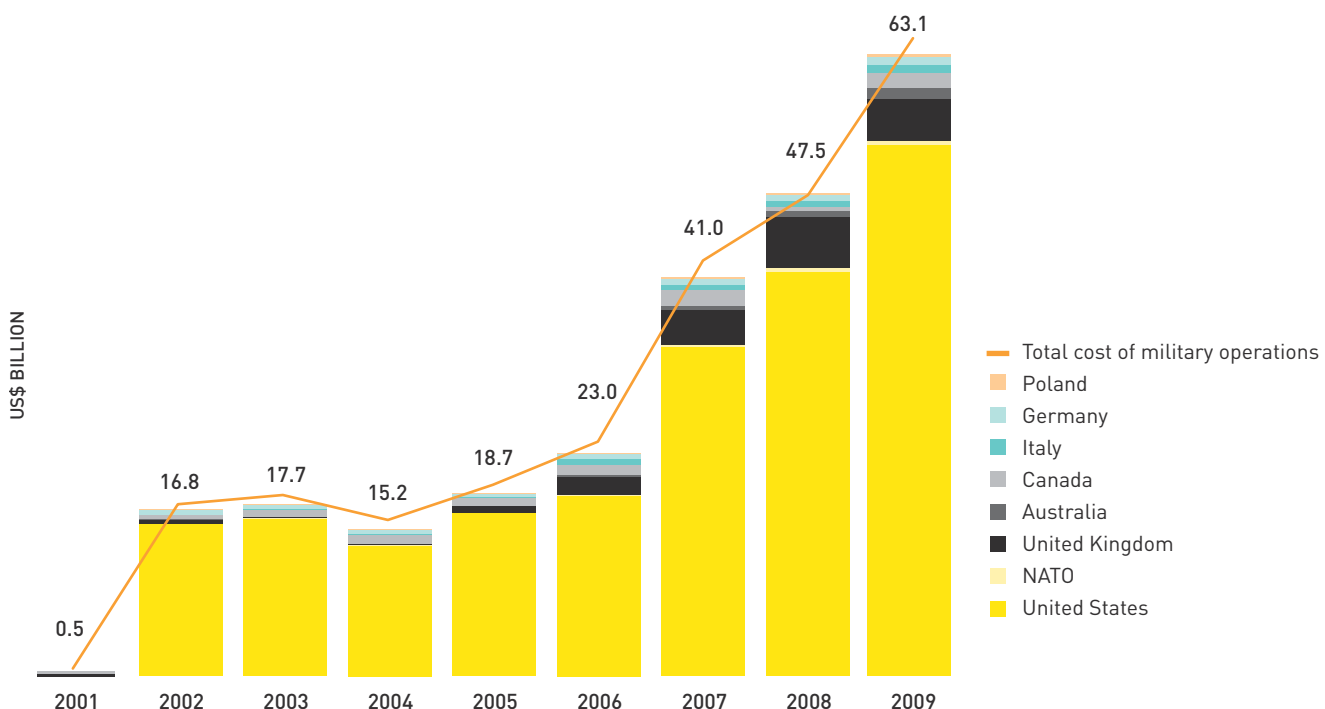
International expenditure on external security actors also includes a UN Department of Peacekeeping Operations (DPKO) political mission in Afghanistan – the UN Assistance Mission in Afghanistan (UNAMA), which had a total reported cost of US\$601.3 million between 2002 and 2009 – and a European Union police mission, EUPOL, established in 2007, with a cost of US\$171.2 million between 2007 and 2009. (See figure 23).

FIGURE 23: UN- AND EU-LED MULTILATERAL SECURITY MISSIONS, 2002–2009

US\$m	2002	2003	2004	2005	2006	2007	2008	2009
UNAMA	43.0	37.9	63.6	63.6	62.4	74.2	86.4	170.3
EUPOL						22.2	48.2	100.8

Source: SIPRI

FIGURE 21: PARTIAL COSTS OF UNITED STATES-LED OPERATION ENDURING FREEDOM (OEF) AND THE NATO-LED INTERNATIONAL SECURITY ASSISTANCE FORCE (ISAF), 2001–2009



Sources: Development Initiatives, based on data from governments of Australia, Canada, Denmark, Italy, Germany, United Kingdom and United States; NATO; and Development Initiatives research

## DOMESTIC INVESTMENTS AND RESOURCES

Afghanistan has shown considerable economic growth since 2001, in large part owing to the billions of dollars in aid being spent in the country. Gross domestic product (GDP), which was a meagre US\$4.1 billion in 2002 (US\$176 per capita) is predicted to grow to US\$18.7 billion (US\$623 per capita) in 2011.<sup>10</sup>

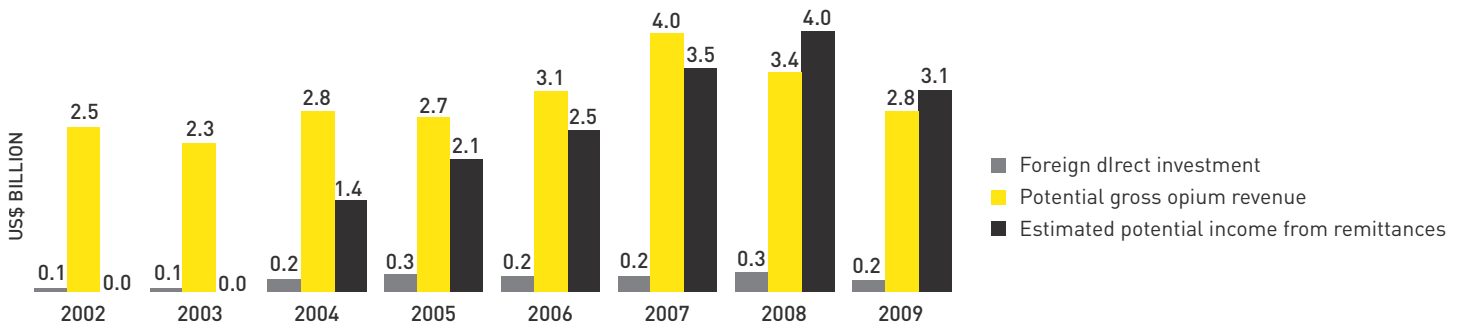
Foreign direct investment (FDI) has shown modest growth, from less than US\$1 million in 2001 to a peak of US\$300 million in 2008, before falling again to US\$185 million in 2009.

Afghanistan's extensive illicit economy, meanwhile, remains buoyant. The informal economy is largely centred on opium and increasingly on cannabis production, processing and trade, which developed during two decades of conflict, and which saw the virtual collapse of the formal economy and degeneration of state institutions.

Opium production all but halted in 2001 following a prohibition decree issued by the Taliban in 2000, but was rapidly re-established during the power vacuum that followed the toppling of the Taliban regime at the end of 2001, reinstating Afghanistan as the leading global opium producer and exporter. Opium production has continued to provide a major contribution to the Afghan economy, and is estimated to have generated in excess of US\$2 billion in revenues each year since 2002.

Remittances to Afghanistan are not routinely measured but could represent a significant financial contribution to the domestic economy of between US\$1 billion and US\$4 billion a year.<sup>11</sup> (See figure 24).

FIGURE 24: PRIVATE RESOURCE FLOWS, 2002–2009



Sources: Development Initiatives based on IMF; United Nations Office on Drugs and Crime (UNODC) data; and Development Initiatives research

Based on growth in the formal economy, and improvements in revenue collection, domestic revenues have also grown, from just US\$0.1 billion in 2001 to a predicted US\$1.6 billion in 2010. The GfRoa estimates that domestic revenues have grown at an average annual rate of over 25% between 1383 (2004/5) and 1387 (2008/9).

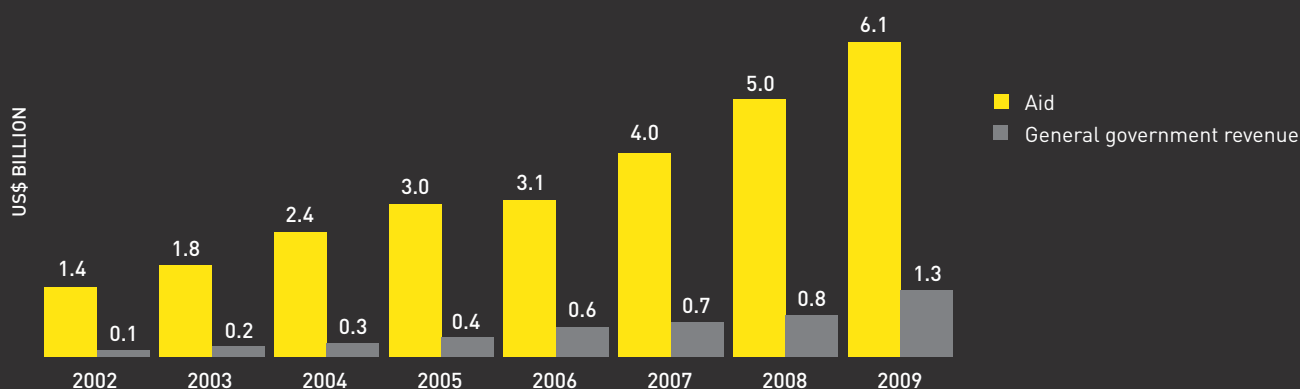
In January 2010 Afghanistan's Paris Club creditors announced a 100% cancellation of the country's US\$1.6 billion in debt liabilities under the Enhanced Heavily Indebted Poor Countries Initiative (HIPC), in recognition of economic progress and reforms made by the Government of Afghanistan.<sup>12</sup> This represents around 96% of Afghanistan's total external debts and will reduce Afghanistan's debt burden to 10% of GDP.<sup>13</sup>

Despite growth in domestic revenues and reduction in external liabilities however, the GfRoa is still heavily dependent on foreign aid to fund its recurrent and

investment budgets. The Ministry of Finance reports that funding for the total budget for 1389<sup>14</sup> (2010-11) will have been funded 33.9% (US\$1.5 billion) from domestic revenues and 66.1% (US\$2.9 billion) from external sources.

Progress towards the Government's goal of financing their operating budget through domestic revenue will be set back by the increasing financial demands of the growing security sector combined with civil service pay reforms which has increased the 1389 (2010-11) operating budget by 20% on the previous year. The GfRoa has only committed to support the base salary and food costs of 41,000 ANP and 87,500 ANA personnel and 'assumes' donors will meet the funding shortfall.<sup>15</sup> (See figure 25).

FIGURE 25: GENERAL GOVERNMENT REVENUE AND AID FLOWS, 2002-2009



Sources: Development Initiatives, based on OECD DAC; Afghanistan DAD; and International Monetary Fund (IMF) data

## MEASURES OF PROGRESS

Important progress has been made towards reaching Millennium Development Goal (MDG) targets in health, education and access to clean water, but Afghanistan is 'off track' in meeting Millennium Development Goal 1 to eradicate extreme poverty. In fact, poverty has deepened and hunger has increased sharply.<sup>16</sup> In 2011, the UN estimates that 7.8 million people will require food aid.

Displacement continues to seriously affect the lives of millions of Afghans, and further displacement has resulted from the rising levels of insecurity since 2009. Five million

former refugees have returned to Afghanistan since 2002, increasing the population by over 20%, according to UNHCR. In a 2007/08 government-led survey on vulnerability, 60% of all households reported that this large influx of returnees had affected them negatively during the past year. Some 2.9 million Afghans remain displaced as refugees – the largest refugee population in the world – and around 441,000 people are internally displaced within Afghanistan.

FIGURE 26: PROGRESS AGAINST THE MILLENNIUM DEVELOPMENT GOALS, 2008

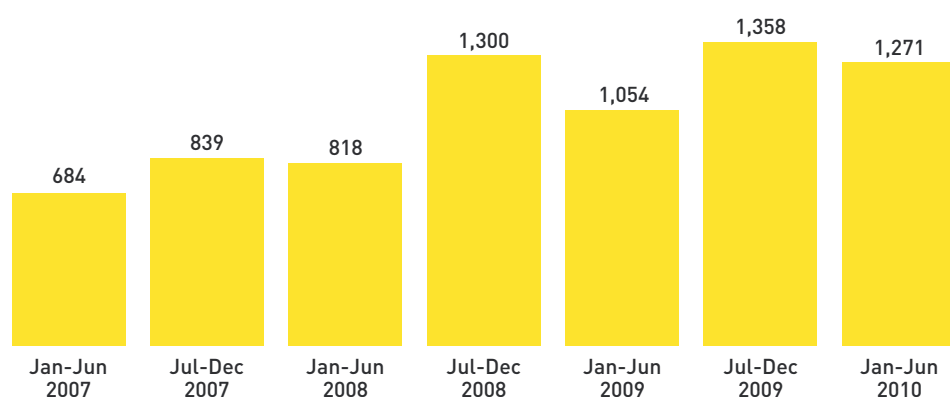
MDG GOAL	INDICATOR	BASELINE	LATEST MEASUREMENT	TARGETS	
				2015	2020
GOAL 4: (On Track) Reduce child mortality	Under 5 mortality rate (per 1000 live births)	257	191	115	76
	Proportion of 18-year old children immunised against measles (%)	35%	68%	90%	100%
GOAL 6: (On Track) Combat HIV/AIDS, malaria and other diseases	Proportion of population in malaria risk areas using effective malaria prevention measures	18%	20%	85%	95%
	Prevalence rates associated with tuberculosis (per 100,000 population)	440	231	224	143
GOAL 9: (On Track) Enhance security	Security expenditure as a % of Public Expenditures (core + devt budget)	43%	25%	20%	20%
	Operational Capability (Battalions with validated capability)	0%	60%	100%	100%
GOAL 2: (Achievable) Achieve universal primary education	Net enrolment ratio in primary education	54%	60%		100%
	Primary completion rate	25%	38%		100%
GOAL 5: (Achievable) Improve maternal health	Proportion of births attended by skilled personnel (%)	6.0%	19.9%	50%	75%
	Fertility rate (number of live births per woman)	6.3	7.2	4.4	3.1
GOAL 7: (Achievable) Ensure Environmental sustainability	Proportion of land area covered by forest	1.6%	1.3%	2.1%	
	Proportion of population with sustainable access to an improved water source, urban and rural	23.0%	41.4%		61.5%
	Total slum population	2,458,024	4,500,000	1,543,639	
GOAL 8: (Achievable) Develop a global partnership for development	Proportion of bilateral ODA of OECD/DAC donors that is untied	26%	44%	100%	
	Unemployment rate of young people aged 15-24 years	26%	47%		0%
	Cellular subscribers per 1,000 population	1	210	500	800
GOAL 1: (Difficult) Eradicate extreme poverty and hunger	Proportion of population below 'cost of basic necessities' poverty level	33%	42%	24%	21%
	Proportion of population below minimum level of dietary energy consumption (<2100 cal./day)	30%	39%	11%	9%
GOAL 3: (Difficult) Promote gender equality and empower women	Ratio of girls to boys in primary education	0.6	0.59		1
	Ratio of female to male Government employees (central)	0.32	0.32	0.5	1

Source: Millennium Development Goals, Islamic Republic of Afghanistan, Annual Progress Report 2008

The development challenges are immense and progress fragile, not least because of persistent insecurity. Despite progress in recruiting, equipping and training the Afghan National Police and Army, and the presence of increasing numbers of international troops serving under a UN peacekeeping mandate, Afghanistan is still extremely dangerous for Afghan citizens, and has become more so since 2009. Reporting of civilian casualties by the

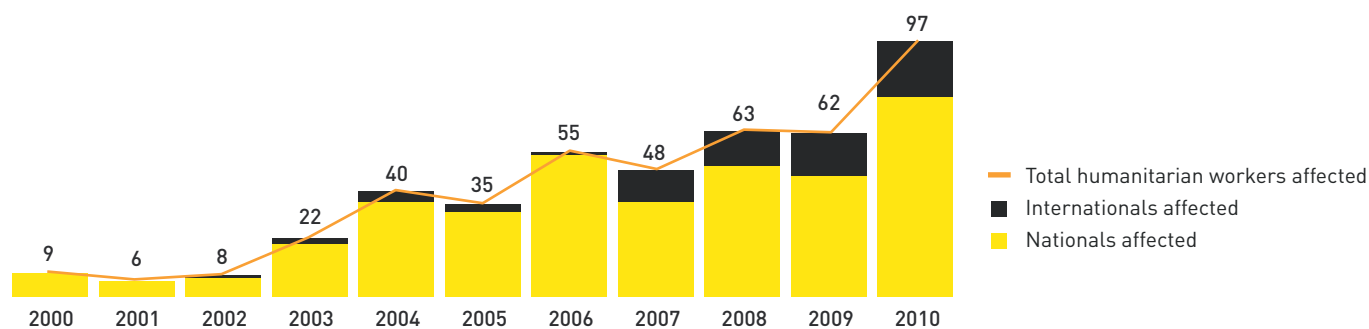
UN Assistance Mission for Afghanistan (UNAMA) shows that Afghanistan has become increasingly deadly for civilians, with the first half of 2010 being the deadliest January to June (typically the quieter part of the year) on record. Security incidents affecting foreign and national aid workers have also increased throughout the period, reaching an unprecedented 97 reported incidents in 2010. (See figure 27 & figure 28).

FIGURE 27: RECORDED CIVILIAN CASUALTIES, JANUARY 2007–JUNE 2010



Source: United Nations Assistance Mission in Afghanistan (UNAMA)

FIGURE 28: SECURITY INCIDENTS INVOLVING AID WORKERS, 2000–2010



Source: The Aid Worker Security Database (aidworkersecurity.org)

## ANNEX: BASIC CONCEPTS AND DEFINITIONS

### AID

For the purposes of this report, 'aid' refers to official development assistance (ODA) reported to the OECD DAC, plus aid reported to the Afghanistan Donor Assistance Database (DAD) by government donors who do not report to the OECD DAC.

The relatively small amount of aid included here which is reported through the Afghanistan DAD may include aid that is not considered eligible under the OECD DAC's criteria for ODA.

### COMMITMENT

A commitment refers to the firm – but not necessarily legally binding – pledges of assistance made by donors.

### CONSTANT PRICES

Constant (real terms) figures show how expenditure has changed over time, after removing the effects of exchange rates and inflation. DAC deflators, along with annualised exchange rates, are available at: [www.oecd.org/dac](http://www.oecd.org/dac). The base rate year used by the DAC during 2010 was 2008.

### DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

The DAC is the Development Assistance Committee of the OECD. Its members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Commission. These members have "agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness".

Korea joined the DAC in January 2010. It is treated as a non-DAC donor for the purposes of this website.

### DONOR ASSISTANCE DATABASE (DAD)

The Government of Afghanistan (GIRoA) established a Donor Assistance Database (DAD) in 2003. The DAD serves as an aid tracking and management tool and records all cabinet-approved development projects in the national budget, as well as extra-budgetary aid

flows. The information is publicly available online at: <http://dadafghanistan.gov.af/>

### GOVERNMENT FUNDING

Government funding includes expenditure by DAC and non-DAC governments and by the European Commission.

### GROSS DOMESTIC PRODUCT (GDP)

The total market value of goods and services produced by workers and capital within a nation's borders.

### MULTILATERAL AGENCY

An international institution with governmental membership that conducts all or a significant part of its activities in favour of developing and aid recipient countries. Such agencies include multilateral development banks (e.g. the World Bank and regional development banks), UN agencies and regional groupings (e.g. certain EU and Arab agencies).

### MULTILATERAL ODA

Multilateral humanitarian aid is funding given to UN agencies, international organisations or the EC to spend entirely at their own discretion within their mandate. It cannot be earmarked in any way.

### OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

ODA is a grant or loan from an 'official' (government) source to a developing country or multilateral agency for the promotion of economic development and welfare.

It is reported by members of the OECD DAC according to strict criteria each year and by a small number of donors outside of the OECD DAC group, who typically report a less comprehensive dataset. It includes sustainable and poverty-reducing development assistance (for sectors such as governance, growth, social services, education, health, and water and sanitation) as well as funding for humanitarian crises.

### REMITTANCES

Private transfers between individuals – often relatives or friends – in another country.

## ENDNOTES

<sup>1</sup> Government of the Islamic Republic of Afghanistan (GIRoA), Ministry of Finance, 2009.

<sup>2</sup> EU Institutions reporting to the OECD DAC include the European Commission (EC), European Development Fund (EDF), European Free Trade Association (EFTA), European Investment Bank (EIB) and other EU Institutions.

<sup>3</sup> 'Country programmable aid' (CPA) is an OECD DAC classification which estimates the amount of aid that can be programmed by the donor at partner country level. It excludes aid that is unpredictable by nature (humanitarian aid and debt forgiveness and reorganisation); cross-border flows (development research in the donor country, promotion of development awareness, imputed student costs, refugees in the donor country and administrative costs); aid that does not form part of cooperation agreements between governments (food aid and aid extended by local governments in donor countries); aid that is not country programmable by the donor (core funding to national NGOs and International NGOs); or aid that is not susceptible for programming at country level (e.g. contributions to public/private partnerships, for some donors aid extended by other agencies than the main aid agency).

<sup>4</sup> OECD, 2010

<sup>5</sup> GIRoA, 2009, op. cit.

<sup>6</sup> NATO, 2009.

<sup>7</sup> GIRoA, 2009, op. cit.

<sup>8</sup> Common Humanitarian Funds (CHF) are currently active in the Democratic Republic of Congo (DRC), Sudan, Somalia and the Central African Republic (CAR).

<sup>9</sup> SIPRI, 2010.

<sup>10</sup> IMF World Economic Outlook, 2010. Current prices.

<sup>11</sup> The remittance figures here are based on research on remittances to Afghanistan in 2006 conducted by the International Fund for Agricultural Development (IFAD) and modelled against trends in remittance flows to the region recorded by the World Bank.

<sup>12</sup> IMF, 2010

<sup>13</sup> World Bank, Afghanistan Economic Update, April 2010

<sup>14</sup> The Afghan year begins within a day of 21 March of the Gregorian calendar.

<sup>15</sup> Islamic Republic of Afghanistan, National Budget, 1389

<sup>16</sup> GIRoA and United Nations, 2008

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# AFGHANISTAN

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## Tracking major resource flows 2002-2010

This report is part of a series of publications from Development Initiatives mapping aid flows to Afghanistan in 2002, 2003 and 2005. In this report we attempt to capture a range of resource flows in Afghanistan presenting data, relationships and trends in an accessible format.

Our work on conflict-affected states looks at trends in a range of flows. We believe collecting and tracking this data will contribute to a better understanding of trends, emergent ideas, mechanisms, actors and changing relationships that affect humanitarian assistance.

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