

The Interrelationship between Aid and Development in Afghanistan Post-Taliban Era

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Abstract: *Undoubtedly, foreign aid has played a major role in development of Afghanistan post-Taliban era. This article looks to the role of foreign Aid in development of Afghanistan after the Taliban regime and the various aspect of these aids. This study draws its finding primarily based on existing literature and secondary sources of data. Regarding the finding of this research, after the fall of Taliban regime until now billions of dollars have been spent on rebuilding of Afghanistan, and over the years, security and development have been among the main programs of the international community. Many countries have helped for rebuilding of Afghanistan. However, Afghanistan's development indicators are volatile, in some cases far from reaching the desired position.*

Keywords: Afghanistan, Foreign aid, economic development, international cooperation, social development,

1. Introduction

Economy of Afghanistan has always been highly agricultural. Moreover, one of the poorest in the world was broken by the wars of the 1980s and 1990 (Tschudin, 2004). Afghanistan is one of poorest country in world, decades of war, conflict and political instability makes the situation vulnerable and make it more dependent for Aid. Foreign aid has played an important role in the development of the country. The history of foreign aid in Afghanistan is quit long and we can classified it, in different important time period; The pre cold war, Cold war, Post-cold war Era and the post 9/11 which started in 2001 and continues till present. The history of Aid in Afghanistan is back to 19th century when the British Empire provided regular subsidies to the rulers of Afghanistan to seek their cooperation in the region and maintain fair relationship with them, "as the twentieth century evolved competitive support between Soviet and US interests came to be a key feature of Afghan state finance". Although this assistance did not make Afghanistan depend in foreign country at that time, but later the dependence of the country on foreign aid increased (Fayez, 2012, Goodhand, 2002). Aid in Afghanistan during the cold war period was given for limiting the former USSR's influence and their troops in Afghanistan. Where the US and the other countries financially and technically support afghan mujahidin for their war against the Soviet troops. During the civil war, also Afghanistan received the Assistance from different countries (Fayez, 2012). So foreign assistance played an important role in different period. This article highlights the interrelationship of foreign Aid in economic growth and development post-Taliban era and its various aspect in different areas.

Discussion of foreign Aid and its impact on Afghanistan

Afghanistan's economy was torn apart by decades of wars, internal conflicts and external rivalry for greater economic control over the country between the erstwhile USSR and the USA. In between 1996 and 2001, Taliban took control over the country and following their regressive policies, the country witnessed further deterioration in overall economic well-being. The economy was totally devastated and more than a

third of the total population had fled from Afghanistan. The rule of the Taliban prevented their return to the country. This flight of labour, loss of capital, and lack of trade and transportation resulted in a substantial fall in Afghanistan's gross domestic product (Fayez, 2012). Consequently, a deep depression in the economic sphere remained evident during this period. All possible indicators of growth and development such as rate of investment, credit expansion, GDP growth, trade balance etc. showed worsening trends.

Moreover, there had been massive destruction of fixed capital during this period as there had been continuous armed struggle between the US force and the Taliban. Unemployment rate and the level of poverty remained unbearable. Poverty related diseases such as illiteracy, hunger, lack of respect for human rights and hundreds of other issues, each of which affected a corner of society.

However, since 2002 onwards after the removal of the Taliban regime the economic condition of the country started improving. The restructuring of the economy began with the help of huge international aid and support. For instance, in 2002 following 'Bonn conference' Afghanistan got \$ 130 billion huge amount of the aid has been pledged for putting its economy back on road of development primarily for road construction, town and rural water supply, assisting farmers and ranchers, training the police, educating, and strengthening the government (Ramyar, 2018; Fayez, 2012).

There is hardly any doubt that the role of foreign aid in the development of cash ridden Afghanistan's economy remained instrumental. Evidently, Afghanistan economic growth performance has been very strong over the decade starting from early 2000. And this exceptional growth performance is explained by the high level of aid that Afghanistan received over the past decade. However, the question remains, to what extent the foreign aid and grants are being utilized in creating sustainable industrial and infrastructural foundations of the country so that in a long it could move maintain a high growth based on its own resources rather than external grant. In particular, significant revenue must be mobilized to reduce aid

dependency and ensure fiscal sustainability over time (Nassif, 2013)

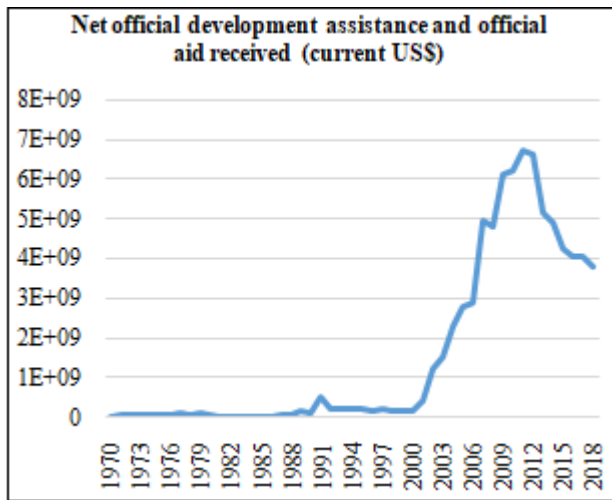


Figure 1

Source:

<https://data.worldbank.org/indicator/DT.ODA.ALLD.CD?locations=AF>

From the figure 1 it is clear that though Afghanistan has been receiving foreign aid since early 1970s, it got a sharp rise during the post-Taliban regime (since 2010) primarily from major Organisation for Economic Co-operation and Development (OECD) countries. With the sharp rise in the aid from 2001 onwards made Afghanistan highly depended on foreign aid for its development. Arguably this was obvious in sense that just after the removal of Taliban the country was suffering with acute liquidity crises and was unable to carry out any developmental expenditure by its own. The Aids was primarily given for reconstruction of Afghanistan and Bonn conference in this regard remained one of the first attempts to resolve the Afghan crisis. According to the Oxfam report in 2018, only 33 percent of Afghanistan's budget comes from domestic revenue and 66 percent from international aid so it shows the importance of aid in Afghanistan's budget. The United States, the World Bank, the Asian Development Bank, and the United Kingdom, Australia and Denmark are among the largest contributors to Afghanistan's national budget. Therefore, the extent of aid which Afghanistan has been receiving since 2001 has remained instrumental in breaking the vicious cycle of lack of investible resources available for development.

Some indication between foreign Aid and development

Though the available data is not totally sufficient to develop one to one relationship between foreign aid and development in Afghanistan, some indicative assessment is definitely not out of the scope. In order to understand the broad relationship between aid and development in Afghanistan one has to look in a longer perspective. Long-term data on growth rate of Afghanistan to a large extent reveals a positive relationship of aid and development particularly during the post -Taliban period and after 9/11 event. Significant progress has been made in Afghanistan since 2001, Foreign aid has been

helping Afghanistan in improvement of various sectors of the economy such as education sector, physical infrastructure like roads, ports and some other manufacturing industries. Besides, it remained instrumental in community development, in enhancing private investment, and the improvement of gross domestic product (GDP) growth rate since 2001. One cannot ignore the role of the foreign aid in cash ridden economy like Afghanistan and there is hardly any doubt that the higher growth rate of GDP experienced by the country is largely due to the injection of billions of dollars of international aid.

In addition, Afghanistan have significantly achieved sharp improvement terms of provisions of Fundamental rights and civil liberties. People's participation in the political mechanism, construction of airports, government buildings, roads, and the construction of dozens of new settlements in various areas are other achievements of the Afghanistan under the post-Taliban era. Figure 2 shows long-term trend of GDP growth of Afghanistan and its very evident that there is break in the growth trajectory of the country towards a higher growth rate since 2001. Continued foreign aid and improvement in domestic production have led to rapid economic growth, and low and controlled inflation also contributed to sustainability of this growth for long.

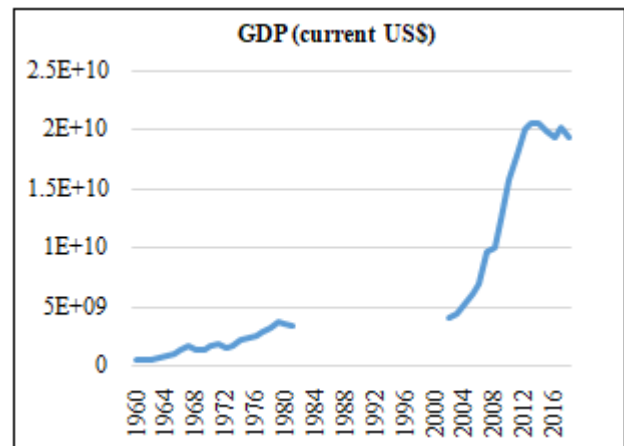


Figure 2:

Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AF>

Though there are several indicators, which reflect positive development in Afghanistan during the post-Taliban regime, nevertheless, some of the emerging trends are definitely not called for. For instance, rising drug addiction in a substantial manner has now become a matter of serious concern. With the rise in the average consumption of drugs, there has been massive expansion of the market for drugs and this led to the rise in large volume of illegal trade and smuggling of the same in recent past. Consequently, it has been affecting not only the Afghanistan economy but also there has been rising concern of people's health in Afghanistan (Sokhibov, 2014).

The relationship between the aid and income generator, life expectancy, education was positive but the relationship between aid and security situation and reduction of drug and

corruption in Afghanistan was negative. According to special inspector general for Afghanistan, reconstruction (SIGAR) US funding has encouraged corruption in Afghanistan. According to SIGAR, the method of providing these aids to Afghanistan further complicated the coordination between the various departments of the US government, and the "implicit tolerance" of corruption in Afghanistan and the "unintentional" support of the US from the corrupt Afghan government officials led the Afghans support less from the programs to develop private sectors.

Afghanistan is still among the poorest countries and remain entirely depended on aid however after the regime of Taliban billions of dollar in aid spent for rebuilding the devastated economy (Ahmed, 2019). Despite long-term financial support and external aid infrastructure, the dry climate is a challenge to the development. The industrial sector of the country has been developing slowly. Almost 10% of population of Afghanistan was involved in opium production. Majority of Afghans are employed in rural area and depended on agriculture and other primary activities for their livelihood. The condition of agriculture including opium cultivation has not very prosperous in Afghanistan. Therefore, the rural economy remains fragile and instable especially when opium poppy production offers more incentive for large and commercial peasants than the small and marginal peasants as well as other petty rural business units. The process of development in the Afghanistan remained to a large extent exclusionary. Overwhelming proportion of people living at the margin has been hardly experienced any economic upliftment during the recent past. On the contrary, some exclusionary processes of development led to make a situation even worse mainly at the margin. Consequently, a large number of people who remained outside the ambit of development were forced to rely upon getting some means for survival in volatile conflict zones of the bordering Pakistan and Iran. A small part of shortage of agriculture products and basic income problem of rural household have been compensated so far mostly by profits from opium. Nevertheless, the situation at the ground has remained far from being satisfactory (Sokhibov, 2014).

2. Conclusion

Afghanistan has historically been one of the countries with a relatively weak economy, and the last three decades of the war have further devastated the economy and further destabilized the country. Since 2001, the country heavily depended on international aid. After removal of Taliban regime, the restructuring of the economy began with the help of huge international aid and support. With the help of the international community, Afghanistan has made significant strides in governance, education, health, infrastructure, and economic growth.

The relationship between the aid and income generator, life expectancy, education was positive but the relationship between aid and security situation and reduction of drug in Afghanistan was negative. However, Afghanistan received

huge amount of assessment but because of lack of coordination between the government of Afghanistan and donor countries and also bad security situation, lack of transparency, corruption and management in government sector caused of peculation of these Aids. In order to make these aids for effective in nation building government should focus on need to convert foreign aid in productive investment. A movement towards self-reliance is extremely important therefore, the purpose of foreign aid is to develop productive capacity of the nation and gradually moving towards self-sustained economy. Because aid has its own limitation and conditionality.

3. Recommendations

Despite receiving billions of Aid from different part of the world, Afghanistan is still among the poorest country in the world. Government of Afghanistan has not able to use these Aids properly. Moreover, all of these problems are factors in the lack of proper management of these Aids so I strongly request these recommendations.

- 1) The government must bring some clear plans and programs to its national development strategy for better management of these aids, and government should take the lead in the administration of foreign aid, and the allocation of foreign financial resources should be done with the participation of representatives of the government and the donor countries, taking into account the priorities of the Afghan government.
- 2) The government should put qualified and worthy people at the top of these aids, so that the aids are used properly and the aids are not peculation and are used in good and infrastructural fields.

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