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Afghanistan is on the brink after US invests \$100 billion

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Afghanistan's economy is worsening and its security deteriorating despite more than a decade of U.S.-led reconstruction efforts and more than \$100 billion poured into the country, according to the Special Inspector General for Afghanistan Reconstruction, an independent oversight agency created by Congress in 2008.

The agency's investigation, conducted between October and December of last year, paints a grim picture of the country — including millions of dollars squandered on projects that never came to be, a resurgent Taliban, infiltration by the so-called Islamic State and a handful of guilty pleas from U.S. military personnel in bribery cases.

Despite all that, however, the United States should not back out now, experts said, or it runs the risk of a completely failed state — which in turn is a green light for terrorist organizations to grow, and oppression and corruption to spread.

More than 6,800 U.S. troops have died between 2003 and 2015 in the wars in Afghanistan and Iraq, according to the Watson Institute for International and Public Affairs. Since 2002, more than \$100 billion has been spent on rebuilding Afghanistan.

"Without the international community's willingness to continue to invest in the nonmilitary, there is no Afghan economy, and some argue no Afghan security," said Marvin Weinbaum, a Middle East Institute scholar-in-residence and a former State Department analyst on Pakistan and Afghanistan.

A combination of lower U.S. troop levels, a huge amount of funds and poor project management has created a recipe for rampant corruption. There are now about 9,800 U.S. troops in Afghanistan, and President Barack Obama could decrease that to 5,500 before he leaves office.

"The lack of security has made it almost impossible for many U.S. and even some Afghan officials to get out to manage and inspect U.S.-funded reconstruction projects," the report said.

Some projects funded by U.S. taxpayer dollars were never even created. SIGAR and Afghanistan President Ashraf Ghani have both independently reported on so-called ghost projects, undertakings where U.S. funds went to build things like schools that were never actually constructed.

All that said, not every project has been a failure, and Afghanistan has been changed in many ways for the better. The economic opportunities, security and infrastructure available to Afghans in government-controlled areas today far exceed conditions that existed under Taliban rule, according to Blaise Misztal, director of the national security program at the Bipartisan Policy Center. Many projects have empowered women and disseminated skills related to development, others told CNBC.

"Embezzlement and bribery have become institutionalized — more than in the past — partly because of the huge amount of funding and the weak management," said Zubair Iqbal, who worked for the IMF for more than three decades and is currently a scholar-in-residence at the Middle East Institute

The country has also been hit by capital flight. Afghan GDP growth rates slowed from more than 14 percent in 2012 to 1.3 percent in 2014, according to the World Bank. Waning business and consumer confidence and high uncertainty over the political transition and security situation are taking a toll on the country.

Private investment has shown "strong signs of slowdown," according to the World Bank, and registrations of new firms have shrunk by nearly half since 2012. Many young Afghans who were once employed by the reconstruction efforts or who have decided the country is no longer safe are leaving.

"It's a huge loss," Ahmed Siar Khoreishi, chief executive of Ghazanfar Bank, said in the report. "The majority of these people are under the age of 30. This is really scary."

The initial reaction to such bleak trends may be to withdraw all U.S. troops and funding. But that would come at a high price, experts said.

"Unless the economy and the administration of the state — which are completely dependent on foreign aid — get off the ground, the country will collapse. It will disintegrate into civil war," said Vanda Felbab-Brown, senior fellow of foreign policy at the Brookings Institution.

Abandoning Afghanistan's reconstruction would allow terrorist groups like ISIS and al-Qaeda to persist and would let the Taliban take control of even more territory, according to Felbab-Brown, who wrote a book on Afghanistan's reconstruction.

In order to clamp down on corruption, international aid needs to focus on smaller, more labor-intensive projects that employ locals. "A longer-term commitment will promote local buy in, but what will matter is which areas will commitments go to," Iqbal said.

In the short term, a bigger focus on agriculture — which makes up the majority of the country's economy — could start employing people and boost food security. Building better roads and monitoring them to decrease Taliban-enforced tariffs could greatly improve the country's economy, Weinbaum said.

Oil and rare mineral reserves could be a lucrative, long-term answer.

"There is a lot of promise in mineral, gas and oil wealth underneath the Afghan dust," said Felbab-Brown.