

ECONOMIC DEVELOPMENT WORKING GROUP

Group Chair: Cy Staniec

Rapporteur: Taylor Wilkinson

Participants

- ▣ Cy Staniec, facilitator
- ▣ Taylor Wilkinson, recorder
- ▣ Marianne Abbott
- ▣ Kathleen Bailey
- ▣ Justine Blaho
- ▣ Robin Burk
- ▣ Mary Crannell
- ▣ Maureen Dugan
- ▣ Paul Ewing
- ▣ Frank Kenefick
- ▣ Jacek Kugler
- ▣ Robyn Melzig
- ▣ Dan Moy
- ▣ Wade Reaves
- ▣ Seyed Rizi
- ▣ Salem Samim
- ▣ Lynnette Stehr
- ▣ Pete Wilcox
- ▣ Bob Sheldon, Synthesis
- ▣ Traci Swanson, Synthesis
- ▣ Ted Woodcock, Synthesis
- ▣ Tiana Litten

Economic Development Overview

1. Corruption and Information Operations in Afghanistan
 - 15 Minute Presentation/15 Minute Q&A: Ms. Robyn Melzig – Program Economist, USAID/Afghanistan Pakistan Task Force
 - 30 Minute Discussion
2. Key Questions
 - 30 Minute General Overview of MG Flynn's Questions
 - MG Flynn's Questions; Ex: What is the importance of the poppy trade to the Afghan population?
 - What operational and analytical questions are we trying to answer?
 - What are the key measures? What are the data requirements? What data are available and where does it come from? How are data assessed and who does the assessments?
 - What tools are we using for analysis? What is the unit of analysis and what are its characteristics?
 - What impediments to data collection and analysis? Who is collecting the data?
 - How do we improve the state of data in Afghanistan? How are these data sources linked and integrated? What are the common activities and requirements that require data support?

US AID Introduction to Development

“Promote a thriving economy led by the private sector”

- Rehabilitate the rural economy (market-led agriculture & alternative dev't)
- **Improve economic policy and governance**
 - Enhance the financial sector's contribution to growth
 - Improve private sector growth
 - Enhance participation in global trade and investment
- Expand and improve access to economic infrastructure (energy, transportation, water & wastewater)

Source: USAID Afghanistan Strategic Plan, 2005-2010.

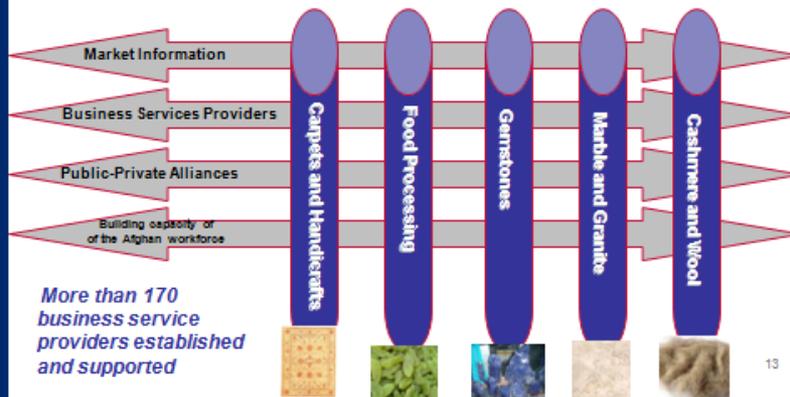
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Part of the strategy is to **improve the quality of economic policy and governance**

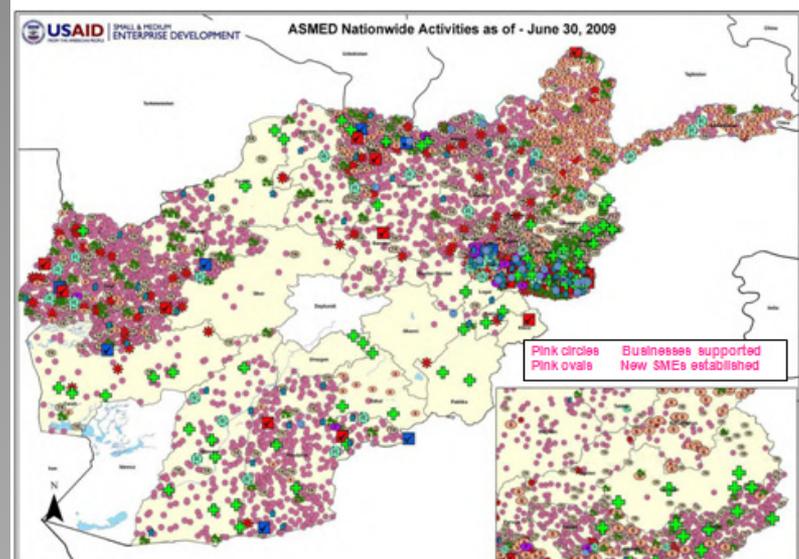
- **Basic Ingredients of a Stable Economy**
 - Central Bank and banking rules
 - Stable currency and low inflation
 - Consistent tax and spend policies / financial controls
 - International trade agreements

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Afghanistan Small and Medium Enterprise Development (ASMED)
www.asmed.af



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Economic Development (I)



- 21: Do leaders of social networks want central government delivered security, rule of law, taxation, and oversight of their activities?
- 22: Does the population want central government delivered security, rule of law, taxation, and oversight of their activities?
- 35: What kind of development do people prefer on a district level?
- 36: How do the people define “progress” or “improved quality of life”?
- 37: What efforts have historically been successful on a district level?
- 38: What is the status of the infrastructure including banking and finance?
- 39: What would be the accepted (active) role of the government in business development?
- 45: What is the relationship between a physical security, level of insurgency support and the degree of development in an area?
- 49: What are the regional dynamics (AF, PAK, Russia and the CTSO [Collective Security Treaty Organization], Iran, China and India) that will affect the security and development future of the region?



Economic Development (2)



ED/Corruption

3: What drives popular support/ tolerance for the insurgency v. the government?

10: How does government corruption impact the Afghan population?

17: What services do the insurgents provide that the Afghan government/ ISAF have been unable to deliver?

40: What is the importance of the poppy trade to the Afghan population?

43: What part of the population is disaffected and why?

46: Will more local interaction (e.g., embedded PRTs) result in improved security, reduced corruption and greater employment?

ED/IO

3: What drives popular support/ tolerance for the insurgency v. the government?

17: What services do the insurgents provide that the Afghan government/ ISAF have been unable to deliver?

47: Will massing resources in "model areas" to provide a demonstration effect be more effective in engaging the population than diffusing resources around PAKAF?

WG Subgroups for Flynn Questions

Thrust (Affinity)	Questions
A: Malign-oriented	10, 17, 45
B: Local Preferences	21, 22, 35
C: Local Development Options	37, 39, 46, 47
General Questions (Outcomes?)	3, 36, 43
Not Addressed	38, 40, 49

Subgroup Approach:

For assigned questions

Record questions about the questions

Record metrics, data, tools, needs, actions in template

As possible, address general questions

Record insights -(we will discuss collectively)

Questions about Malign Influences questions

Q10

- ▣ What are specific causes of local discontent and what does it impact for the population?
 - How and to what degree do they erode trust, impede services, livelihood, and wealth accumulation
 - To what degree do we get associated with corruption by supporting government?
 - How do these force the people to stay neutral or join insurgency. (National ID example)
- ▣ What is the structure & impact of drug networks (the financial connections)
 - What constitutes viable security and alternative livelihoods for farmers in drug trade
- ▣ What part of corruption is tied to Taliban and how can that be used against their objectives? (IO applications)
- ▣ To what degree can ISAF streamline ED contract decisions to critical areas (insurgent dominated areas) , To maintain individuals of high trust in high impact areas

Q17

- ▣ How does drug revenue helps fund individuals within the local and national government?
- ▣ To what degree does tax (bribes) on contracts helps fund security or other "service economy"
- ▣ What decisions do the Taliban make that impact development (e.g. Speedy consistent justice) . How can ISAF incentivize local process/ providers to cause them to be preferred over Taliban (and not upset ED balances)
 - Are there services Taliban provides that they pay more for , pay with speed and consistency, and do not risk life and limb
- ▣ To what degree is there turf battle among Taliban at local level?

Q45

- ▣ How do we track progress from a state of security-dependent economy to an economy-derived security?
 - War of perception and ideas
 - In what ways and where does ED depend on physical security
 - In what ways does society security depend on ED?
- ▣ What is/are the key views of "government" in Afghan villages?
 - Which levels are really important
 - Does it differ by regions?

Malignant Influences (ED)

10: How does government corruption impact the Afghan population?
 17: What services do the insurgents provide that the Afghan government/ ISAF have been unable to deliver?

45: What is the relationship between a physical security, level of insurgency support and the degree of development in an area?

Q	Measures	Data Rqred	Avail	Imped	Tools	Actions
10	Track grievances of locals Continuum of trust between Afghan / Coalition and Insurgents Map level of compliance (eg sanctuary to insurgents)	Viable opinions of local villagers Mullahs and elders	Partial - (accessible?) Embedded analysts - consistent	Appropriate questions at appropriate moment by respected person (cultural rhythm)	Trend Analysis	Cdrs Intent to drive collection; establish consistency in trusted relationship; consistent approach to collection of data Embedded analysts
17	Track where disputes are resolved Local wealth baseline and trends of physical change	Local wealth baseline and trends of physical change	HTS / HTT (at provincial level)	Appropriate questions at appropriate moment by respected person (cultural rhythm)	Trend Analysis	Cdrs Intent to drive collection; establish consistency in trusted relationship; consistent approach to collection of data Embedded analysts
45.	Support of locals for Afghan government	How many projects are under way, effectiveness (Reception by population) IED events	Partial - (accessible?) Embedded analysts - consistent	Appropriate questions at appropriate moment by respected person	Effectiveness, Correlation of development rates and incidents, reception level	local cultural and language, trust, ability to gather honest opinion

Local Preferences: Use Bottom Up Perceptions to Motivate Economic Aid

Objective: Gain Population Support in Villages where US Economic Military Aid is Provided.

Inputs: Governance and Development Branch staff assess, and report the influence of key stakeholders in target villagers, their development priorities (Mosque>Water Treatment>Phone>School), and the importance these stakeholders attach to such developments.

Analysis: Using off the shelf methods (ie. SENTURION) coordinate village preferences with set US development priorities.

Select options that get buy in from key stakeholders but remains consistent with US objectives –. renovate Mosque (a village priority) using it to provide phone coverage (US priority) along with a water project that accelerates growth (joint priority).

Implementation: Empower key villagers stakeholders *prior* to the final decision giving them credit for the proposed development.

Local Preferences (ED)

21: Do leaders of social networks want central government delivered security, rule of law, taxation, and oversight of their activities?

22: Does the population want central government delivered security, rule of law, taxation, and oversight of their activities?

35: What kind of development do people prefer on a district level?

Q	Measures	Data Rqred	Avail	Imped	Tools	Actions
21, 22, 35	<ol style="list-style-type: none"> 1. Have we addressed local priorities? 2. Was the decision on local priorities made collectively? 3. Were we successful in delivering what they needed? 4. Do people see the assistance as coming from the central government or ISAF? 	Interviews with villagers; interviews with elder elites - need to ask them what they want, what the prioritization is, and how important these things are to them	No	-Training -- Trust -Availability of people with familiarity with local culture	-Senturion -PSOM -- FM 3-24 Systems Dynamics Model -- Network Analysis	-Mobile training teams to teach people how to collect data - Joint implementation of US/village goals to gain support

Resource Allocation (ED)

37: What efforts have historically been successful on a district level?

Quest	Measures	Data Rqred	Avail	Imped	Tools	Actions
37	<ul style="list-style-type: none"> •Volunteerism •Level of CDC activity •Community social activity & activism •Desire to provide own security (i.e., arbikai) •Economic indicators •Employment •Vocational training opportunities •Transparency in decision making •District governors process for prioritizing development projects 	<ul style="list-style-type: none"> •Numbers participating in district government •Regularity of shura/elder meetings •New group formation •Types of interest groups •Entrepreneurialism (e.g., increasing home-based businesses) •Numbers of youth interested in ANA/ ANP service 	<ul style="list-style-type: none"> •CIDNE •PRT institutional knowledge •Survey/interview methods 	<ul style="list-style-type: none"> •Recall issues •Access to remote areas •Availability of civilian expertise •Data must be continually updated 	<ul style="list-style-type: none"> •TCAPF survey •HTT mapping •Customized survey instruments that access SMEs and other stakeholders 	<ul style="list-style-type: none"> •Cross-level PRT relationship engagement in the local community •Informed analysis/not just data collection •Customization of TCAPF questions to relate to local engagement •HTT data collection and interviews/engagement

Resource Allocation (ED)

39: What would be the accepted (active) role of the government in business development?

Quest	Measures	Data Rqred	Avail	Imped	Tools	Actions
39	<ul style="list-style-type: none"> •Levels of support for district governance at the provincial level •Funding for local governance •Effectiveness of Director of Economy office •Ability of government to adjudicate contractor bids and inspect projects •Assessing relationships between business owners and government officials/processes/requirements 	<ul style="list-style-type: none"> •Availability of funds to district governance •Work stoppages and delays •Complaints of contractor fraud •Overt threats and intimidation •Frequency and transparency of PDC meetings •Government facilitation / granting of lines of credit or micro-loans 	<ul style="list-style-type: none"> •CIDNE •PRT institutional knowledge •Survey/interview methods 	<ul style="list-style-type: none"> •No local records or recordkeeping at local or national levels •Inadequate basic infrastructure and technology to conduct business •Capacity (e.g., training, education, leadership skills) of district and provincial leaders 	<ul style="list-style-type: none"> •HTT mapping •Customized survey instruments that access SMEs and other stakeholders •Interviews with key participants/influencers 	<ul style="list-style-type: none"> •Cross-level PRT relationship mentorship at district and provincial levels •Informed analysis/not just data collection •Development and execution of surveys •HTT data collection and interviews/engagement

Resource Allocation (ED)

46: Will more local interaction (e.g., embedded PRTs) result in improved security, reduced corruption and greater employment?

Quest	Measures	Data Rqred	Avail	Imped	Tools	Actions
46	<ul style="list-style-type: none"> • Perception of the PRT by key influencers • Degree to which government officials are receptive to input and suggestions by the PRT • Supportiveness of mullahs and tribal leaders of to PRT • Does the PRT have adequate staffing levels and resources to reach key areas • Is the PRT effectively assessing and responding to sources of discontent and development needs 	<ul style="list-style-type: none"> • Number of key leader engagements • Level of PRT participation in Afghan processes • Key leader perception of PRT activities and goals • Level of PRT engagement at the district level 	<ul style="list-style-type: none"> • CIDNE • PRT institutional knowledge • Survey/int erview methods. 	<ul style="list-style-type: none"> • PRT resources (human and financial) • Availability of HTT and civilian expertise 	<ul style="list-style-type: none"> • HTT mapping • Customized survey instruments that access SMEs and other stakeholders • Interviews with key participants/ influencers 	<ul style="list-style-type: none"> • Cross-level PRT relationship mentorship at district and provincial levels • Informed analysis/ not just data collection • Development and execution of surveys • HTT data collection and interviews/engag ement

Resource Allocation (ED)

47: Will massing resources in “model areas” to provide a demonstration effect be more effective in engaging the population than diffusing resources around PAKAF?

Question	Measures	Data Required	Available	Impediments	Tools	Actions
47	<ul style="list-style-type: none"> •How can we prevent yellow areas from turning red? •Why are red areas red? •How can we accurately capture and appraise dimensions of stability? •What constitutes a “model” area •How much time is required to measure / track change •Are model areas geographic, functional, or demographically determined 	<ul style="list-style-type: none"> •Reports of enemy intimidation •Government stability •Reports of foreign (insurgent) presence •Willingness of governmental leaders to enter districts •Unemployment •Presence of IDPs and refugees •Resource shortages •Environmental stresses •Natural disasters 	<ul style="list-style-type: none"> •SITREPs •Intel reporting •Statistical data available at country level 	<ul style="list-style-type: none"> •Each district is different •Timing of change processes will differ across district context •Stability factors are continually in flux •Population is dynamic (esp. re: IDPs, refugee flows) •Seasonal effects 	<ul style="list-style-type: none"> •HUMINT reporting •Data triangulation with news and other media sources •Collaboration with international partner organizations and NGOS 	<ul style="list-style-type: none"> •Need to fuse HTT and HUMINT reporting •Strategic planning at the provincial and district levels •Regular interaction/exchange of information with UNAMA, NGOs, and civilian experts

Outcome & Perception (ED)

3: What drives popular support/ tolerance for the insurgency v. the government?

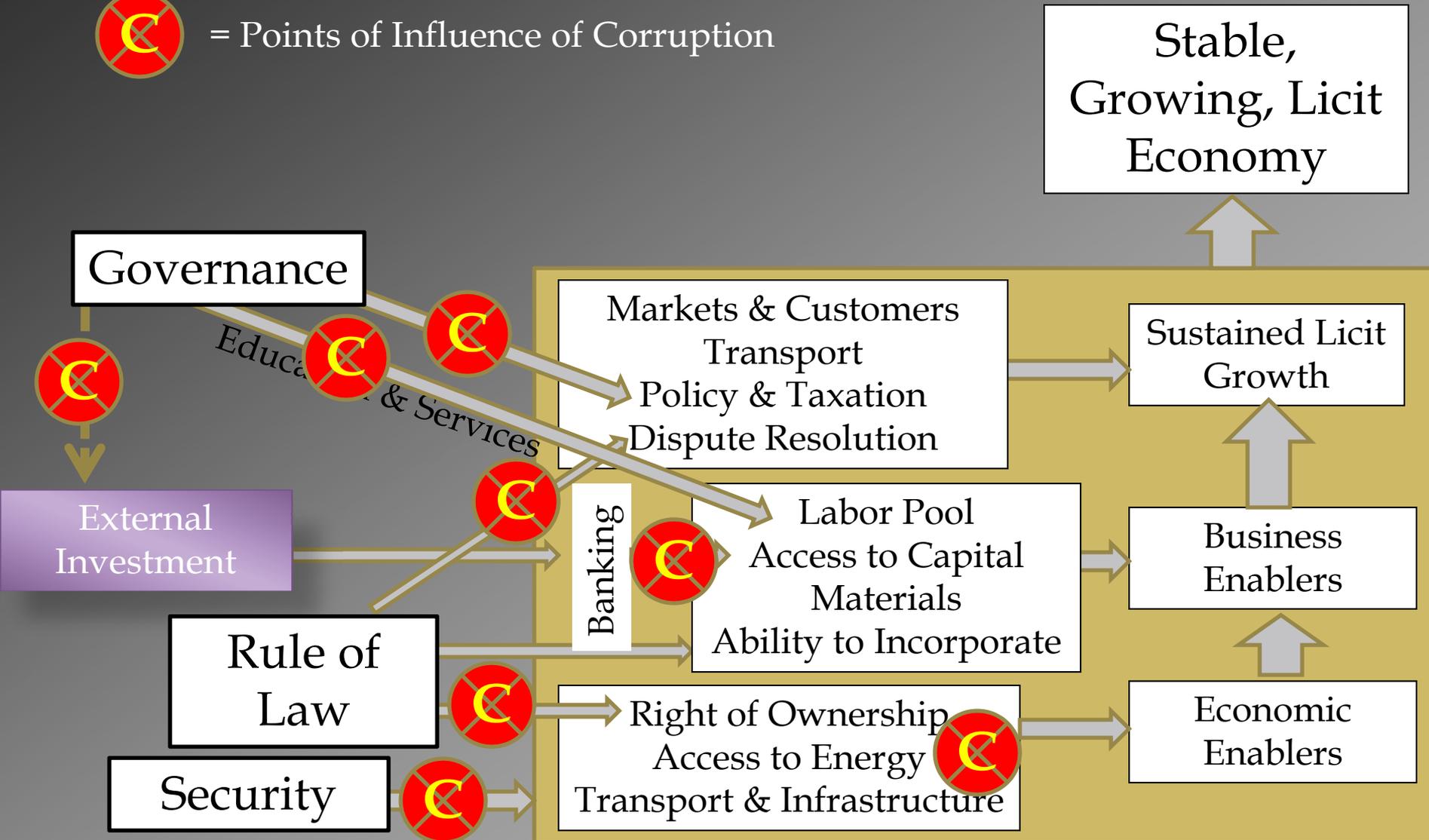
36: How do the people define “progress” or “improved quality of life”?

43: What part of the population is disaffected and why?

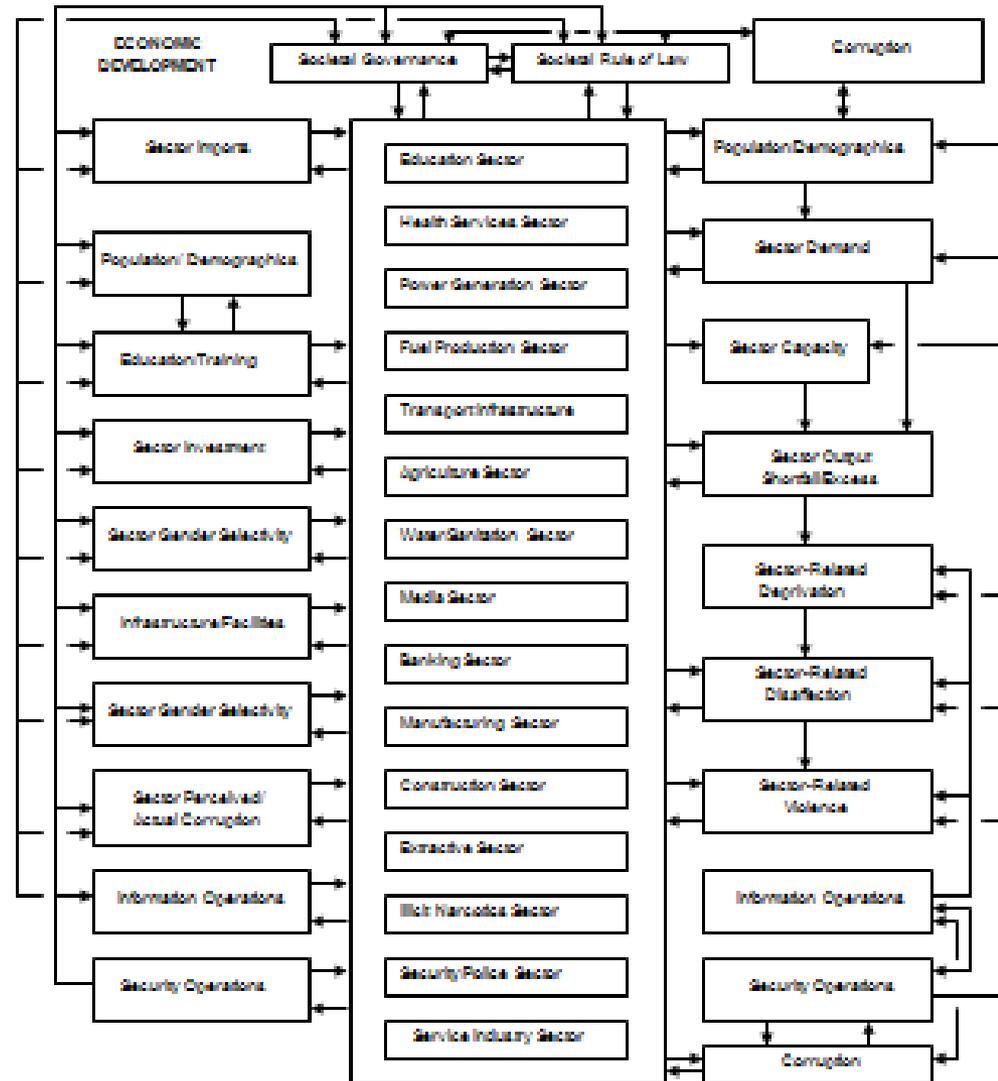
Q	Precursors to MOEs	Data Rqred	Avail	Imped	Tools	Actions
3						
36						
43						

Simple Economic Development Influence Model

 = Points of Influence of Corruption



IW / Reconstruction Prototype Model



Phase 6:
Economic
Development
Model

Observations on Conceptual Models

- ▣ ED in Afghanistan is not monolithic
 - Urban – rural
 - National – local
 - Emerging – traditional
 - Industrial – agricultural
 - Sensitivity to local application is important
- ▣ Attributes must tie to local needs and preferences (e.g. “stable” = “predictable”?)
 - Only a few factors (sectors) important in many areas
 - Model should be useful and understandable at local levels
- ▣ ROL, Governance, Security influences may come from other influences (Taliban, Bribes, Drug trade)
- ▣ See slide on Corruption

Observations on Corruption

- ▣ Our perception: corruption effects differ at the local level
 - Source is important (Government, Taliban, Drugs?)
 - Role (in the economy) is important (greed or survival?)
- ▣ Corruption exists at all levels – where does it matter?
- ▣ Drug-based revenues span from farmer to government official
 - Attacking “networks” will have 2nd & 3rd order effects
 - Can we estimate and measure what might and actually happens?
- ▣ Direct measurement is hard – proxies necessary
- ▣ ISAF association with GIROA corruption erodes trust at local levels
 - Equally applying justice will reap benefits in local trust and acceptance
- ▣

Data Collection to Disclose Corruption Effects

Objective: Systematic macro analysis to answer General Flynn's questions with state of art models of political economy

Model: Data collection follows form forecasting requirements.

Level: Collect district and province level data. Adjust for tribal (ethnic - religious) considerations.

Outcome: Based on interaction between the economic, political and security considerations (ie. POFED)

Data: Selection of political, economic and security considerations that incorporate corruption effects.

First Cut Data Requirements

Level: Province and District.

Investment. Separate domestic investment from foreign investment. Show how military reductions will affect economic and military outcomes.

Political Performance. captures different aspects of political capacity

P Political Extraction ability of the local government to extract resources estimating tax avoidance.

§ Political reach –measures ability of the local government to reach the population estimating “black market”.

Political allocation – contrasts optimal allocations of resources that maximize economic growth with the actual allocation of resources. Identify the effect of corruption

Population – key indicators size fertility and youth bulge.

Education – literacy and primary and secondary education by gender

Security – separate size and expenditures for police and military

Observations on Information Operations

- ▣ Be proactive – make successes and advertise them to the locals
- ▣ Keep the local leaders in the info loop
 - Seek their priorities
 - Support them with information

General & Cross-cutting Observations

- ▣ Success to Afghans happens at the local level
- ▣ The data we need exists at the local level
- ▣ Need to focus on how to consistently gather observable local data
- ▣ Corruption, Taliban influence, Government impact, and ISAF programs exist in a tension
 - Afghans use all to meet the desires and needs of local population
 - Our challenge is to move the “Preference Vector” that meet Local needs and support our interests in favorable directions
 - ▣ Caution: we can easily move the vector in the wrong direction with mis-steps

Conclusion

- ▣ Workshop has brought much insight into a single body of information
 - Challenge to final report team is to turn it into a body of knowledge