

Jobs for Afghans

White Paper

On

Stabilizing Afghanistan through a Cash-for-Work

Initiative

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www.jobsforafghans.org



A cash for work project in Kabul, managed by CARE International, June 2009.

“Roughly 70% [of Taliban] are involved because of the money.”

Vice President of the United States Joe Biden in Brussels, March 11, 2009

Executive Summary

A recent ACBAR report states how a large proportion of foreign aid dollars in Afghanistan have been wasted. The Taliban insurgency, once almost defeated after the US-led invasion in 2001, is on the rise. Dissatisfied with the failed promises of alternative livelihoods, opium producers are turning back to growing more opium than wheat or other crops. In UN poverty indexes Afghanistan ranks 174th out of 178 countries, just ahead of four other countries in Sub-Saharan Africa, and actually dropping one place since the overthrow of the Taliban. A great majority of the population still lacks access to basic necessities of life such as food, shelter, and even minimal emergency health care.

We believe all this can be reversed by shifting our focus in the short run to unemployment, also known as “the mother of all problems” in Afghanistan, with appropriate plans for long run growth. With greater than 40% of the workforce unable to find jobs, social unrest is unavoidable. We are, therefore, proposing a bold and ambitious economic plan that would give low-skilled fighting-age men employment opportunities for \$7 a day through a mega-scale cash-for-work program throughout the country. After discussing the strengths and potential weaknesses of such programs with many different players involved in the reconstruction, we conclude that it is only such an initiative which will bring short-term stability and pave the road for initiatives aimed at achieving long term growth and development. Without a foundation of social stability, no dynamic development driven purely by the free market can take place.

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Introduction

In 2008 a consortium of highly-respected NGOs working in Afghanistan released a report entitled "The ACBAR Report on Aid Effectiveness in Afghanistan" concluding unequivocally that a large part of non-military foreign aid to Afghanistan had been wasted. Contrary to popular perceptions that most of the waste in Afghanistan is internal, the ACBAR Report laid the much larger part of the problem on multiple layers of subcontracting which takes place outside the country, sometimes with corporate ties to the awardee. The level of profit-taking was found by the researchers to be as high as 40% - 50%. Moreover, it is well-known that little of reconstruction assistance is passed down through the Afghan government and its line ministries, giving many projects the aspect of an "alien landing" where the ownership of the project lies not with those who are politically accountable to the people i.e. the government, but with foreign contractors who pack up and leave after project completion. In 2004-2005 "the External Budget - over which the government has no control - accounted for approximately 75 percent of all assistance, or US\$2.5 billion." (Nixon 2007, p6) Goals and policies might be set in coordination with the Afghan government and its departments at a high level, but accountability for how projects are actually implemented is a step removed. In the end, foreign contractors have their own sets of constituents and business imperatives, often having little to do with the priorities and needs of the vast majority of poor Afghans.

The 2009 World Bank Interim Strategy Note states:

"Despite the priority attached by the government to aid effectiveness, this has not yet translated into real progress in the way donors are doing business...Much of this assistance is delivered through large contracts with expatriate firms incurring costly security overheads. The resulting layers upon layers of subcontracting appear to many Afghans as a case of many hands legally taking a cut of funds before they reach target populations."

It is therefore no surprise that the Taliban, although extremely unpopular with the Afghan people and once almost defeated after the US-led invasion in 2001, are re-emerging and gaining more support. Their comeback has a lot to do with the unfulfilled promises of the international community and their failed attempts to bring about stability and visible changes in the lives of ordinary Afghans.

This paper and the form of reconstruction projects it advocates – i.e. labor-intensive, easily supervised and managed undertakings which require a minimum of technical expertise and capital equipment - is a response to the problems highlighted in the ACBAR report. This response provides a theoretical framework putting forth the advantages and potential pitfalls of cash-for-work, which have already proven successful in parts of the country and around the world. We propose that tackling the 40% unemployment should be the number one priority in rebuilding war-torn Afghanistan. A recent report by Afghanistan's Independent Department of Local Governance (IDLG) indicates that the majority of district governors in all 34 provinces of Afghanistan unanimously declared that "unemployment is the mother of all problems." Dambisa Moyo, the author of the recent book "Dead Aid" rightfully points that "the over 60 percent of Africans that are under the age of 24 need *jobs* not sympathy [emphasis added]," which we argue is perfectly applicable to the case of Afghanistan. In fact, one of the current presidential candidates and former finance minister, Ashraf Ghani, has drafted an economic plan to give jobs to one million people – a plan that he believes will be key in solving the Afghan problem. Unemployment at such enormous levels give rise, obviously, to many other problems of utmost consequence. The World Bank 2009 Interim Strategy Note on Afghanistan points out that, at present, at least 35% of Afghans do not meet the daily minimum caloric intake requirement which is the threshold for malnutrition. This almost certainly affects children disproportionately.

History has no shortage of examples backing the presumption that programs which infuse cash and capital into a devastated economy work in the long run, most notable of which is the Marshall Plan. Foreign assistance consisted mostly of supplies, food, and wages administered by the Economic Cooperation Administration (ECA,) signed into law by President Truman in 1948. The Marshall Plan was a phenomenal success, and laid the groundwork for dynamic economic growth in Europe and a stable economic partnership with the U.S. Previously hostile Germany became a staunch political ally. In the political belief system prevalent in the West which emphasizes the free market's ability to enable a people to "pull themselves up by their bootstraps," the Marshall Plan was the "straps." There was nothing organic about the impetus: most Europeans had nothing after the war, as do most Afghans now, and the help came from an external infusion of aid aimed at the poorest wage-earners, funded largely by the United States. It ceased after just four years, and Europe walked on its own. In prescribing the Marshall Plan in his famous speech at a Harvard Commencement in 1947, as hunger and violence increased across Europe and the communists made political gains, Secretary of State George Marshall remarked that "the patient is sinking while the doctors deliberate." We believe we have taken long enough deliberating and it is time to act before the tides reverse, and we lose our strongest allies in Afghanistan to the Taliban, i.e. ordinary Afghan people.

It is helpful to note that during the course of the Marshall Plan about \$560 per European was spent per year over the course of four years. In contrast, in adjusted dollars, about \$60 per person, per year has so far been invested in Afghanistan, with much of that being recycled out of the country, from one western bank account to another, most of it bypassing ordinary Afghans.

Another example is the WPA (Works Progress Administration) program, which lifted the United States out of the Great Depression early in the last century. In this program millions of men were employed by the government in building roads, dams, and other projects with the objective of creating jobs for the unemployed. It was recognized that so many unemployed posed a great danger to social stability, and President Franklin Roosevelt pushed the American version of cash-for-work through the American Congress.

India's National Rural Employment Guarantee Scheme (NREGS) is yet another example of a job-creating scheme through public works. The NREGA is often cited as one of the boldest and largest programs in India aimed at helping the rural poor by guarantees of at least 100 days of work at minimum wages to all households whose adult members engage in public works. Enacted in legislation in 2005, it provides a wealth of information and lessons learned on what works and what does not in such projects. The Act stipulates that pure labor cost must constitute at least 60% of total costs, with the remaining 40% covering tools and equipment, operations, management and administrative costs. It is worth noting that a recent cash for work project in Kabul by CARE International spends up to 80% of project costs on labor alone¹.

The above three examples provide us with ample evidence of the feasibility of job-creation as a means to “stabilize the patient” and simultaneously plan for long-term growth and recovery.

¹ Based on our visit to the project site in Kabul in June 2009.

What is Cash-for-Work?

Cash-for-work projects, as defined in this paper, meet three criteria, which can be abbreviated as T.E.M.: for Transparency, Efficiency, and Manageability. The hallmark of such projects, for which we suggest there should be a large, earmarked fund, is in a word that they put modest amounts of hard cash into the hands of the very poorest Afghans, with little overhead and in as a direct a line between donor and ultimate recipient as possible. The very nature of these projects makes it easy to see where the most of the money is going. This is not to take a naive view. There will always be waste and fraud. The task for policy makers is to minimize the opportunity.

Briefly described, the components of **T.E.M.** can be described as the following:

A. Transparency

Output, whether kilometers of road or toasters, consists of inputs, which are broken down into the broad categories of capital and labor. It is the position of the authors that labor is easy to count, capital more difficult. No one knows how much was really paid for a lease on a bulldozer or a thousand bags of cement save the person who paid for them. Where project inputs include large sums for machinery and building materials, opportunities for "fuzzy accounting" increases. But head-counts of workers are, as the term goes in the computer world, WYSIWYG (what you see is what you get). Thus projects with a high labor-capital ratio, all other things equal, are more transparent than those with lower ones, given a strong system of field monitoring, which we discuss below. Cash-for-work under our definitions can be done

largely with hand-tools like shovels, picks, paint-brushes, wheelbarrows, and “elbow grease”. There is little money to disappear into non-existent machinery contracts, or contracts for foreign “consultants” or compromised quality of materials or exaggerated equipment costs. Fariba Nawa’s report, *Afghanistan, Inc.*, is an eye-opening work that exposes the corporate wrongdoings under the name of reconstruction efforts in Afghanistan. She illustrates examples of a highway that begins crumbling before being finished, a school with a collapsed roof, a clinic with faulty plumbing, a farmers’ cooperative that farmers can’t use, Afghan police and military that, after training, are incapable of providing the most basic security, etc.

B. Efficiency

Efficiency describes the proportion of money which goes toward wages for Afghans, especially the poorest and least skilled workers, circumventing unnecessary layers of subcontracting. A new water sanitation plant, for example, requires high levels of expertise among technicians and skilled workers, such as welders and pipefitters. These plants are of course necessary and a good investment, but not if no thought is given to the pipeline infrastructure which will actually bring water to communities. Digging the trenches for this infrastructure is an excellent opportunity to employ large numbers of workers with shovels and wheelbarrows, although a backhoe could do the same work, but with less “social efficiency.” Efficiency in a cash-for-work project means social efficiency, using appropriate technology. Appropriate technology in development work is already a well-developed and widely accepted technology model, which takes into account the imperatives of societies in certain stages of development. It takes a long view of economic growth, just as the initial investment of the Marshall Plan did, which did not produce profit in the short run but laid the foundation for social stability and infrastructure which is necessary for economic growth.

Where technicians with higher skills are required in cash-for-works projects, such as a road expert or surveyors, they should serve as capacity-builders as much as possible. As one of our interviewees best put it, “you can’t build Afghanistan by *bringing* capacity; you can do it by *building* capacity.” Work experience as well is a form of capacity-building, and leadership and potential managerial skills can be identified in work crew leaders. To reiterate, efficiency in cash-for-work means social efficiency, since before the next stage of economic development can take place everybody must be able to eat, and save small capital. Raising the food security and income security of the lowest on the income scale raises the security of all.

C. *Manageability*

Manageability, the third characteristic of a project suited for cash-for-work funding, refers to the ease of managing a project both in its planning and in its implementation on the ground. The clearing of canals or irrigation ways requires large amounts of manpower but little in the way of engineering skills. Thus these are examples of projects which are easy to plan before workers are actually hired in the field. In addition, these kinds of shovel and handsaw projects are amenable to "flat" organization charts, as one field supervisor can as easily manage ten work crews of ten men each as manage five crews of ten. Complexity of projects is low, compared to, for example, raising a steel and concrete building, which requires many specialized subsets of skills employed in a certain order, necessitating experienced project manager(s). Organizational charts for these types of projects are more pyramid-shaped than flat. One project manager cannot as easily manage the raising of three buildings as one. Each requires its own subsets of skilled teams, devoted to that project.

Another aspect of manageability is ease of audit, i.e. monitoring, which, because little capital expense is involved and expenses consist almost entirely of labor plus modestly-priced work

tools (compared to large capital equipment), the product of the number of worker on-site times the wage plus 20-30% overhead costs will yield roughly the budget. This is a strong selling point to the donor agency. Among project choices, cash-for-work is among the easiest for any donor agency inspectors to literally see where the money is going.

Methods of Payment to Work Crews

As the name cash-for-work implies, wages in cash-for-work projects may be paid in cash, under a voucher scheme, or any other arrangement convenient for both worker and project management. It should be noted that in Afghanistan the vast majority of households do not have enough money to have a bank account and manage their affairs on a cash basis or barter basis. . In the cash for work site we visited run by CARE International, workers were paid at the end of each week, at the base labor rate of \$4 per day, and were issued sturdy plastic time cards, kept on the worker's person in a thick-gauge plastic pouch which was waterproof and mud-proof. Holes were punched to represent receipt of a week's pay (please see Appendix C, page 22 for image of time card.) At the end of each work week a supervisor goes down the line to each worker individually as they work and settle up and punch their card. In this manner, pay and workers are accounted for in a system adapted to field conditions. There may be other payment systems, but this is one which we saw tried and tested, and working well in the field. Afghanistan's National Solidarity Program also has years of valuable on the ground experience in this regard.

Advantages of cash for work

There are numerous advantages of cash-for-work programs. Firstly, it is the most effective way of changing the lives of millions of low-skilled, low-income households by injecting cash directly into their livelihoods in exchange for public works. It is also a great way to supplement the currently volatile and irregular incomes of these families. For those working in un-insured, but highly risky sectors such as rain-fed agricultural, this is a great way to help smoothen income and provide effective insurance, especially in the event of systemic shocks such as bad weather or falling prices of agricultural produce.

Secondly, Afghanistan is one of the poorest countries on a global scale. Programs such as this have the greatest potential to lift millions out of poverty, thus greatly reducing the proportion of population below poverty line, an easily identifiable measure. Where recipients have bank accounts, opt-out automatic deductions can nudge individuals towards saving for future consumption or investment.

Thirdly, Kabul city, with the capacity of less than one million people, is overburdened with more than four million inhabitants, most of whom migrate to the city in search of daily labor jobs. By making jobs available to the people in all provinces and districts, this internal migration and all its accompanying problems can be controlled dramatically.

Fourthly, this program has the potential to empower not only the poor, but special groups within the poor such as women, the marginalized, the unskilled and extreme poor. In the

process, we will have achieved not only poverty alleviation and empowerment of the poor, but also more equitable growth.

Lastly, the choice of projects is crucial for not only achieving the above goals, but also helping adjust the future growth trajectory of the economy. A more careful analysis is perhaps needed to identify the binding constraints and real engines of growth, addressing which will make a real dent in poverty and improve the future growth of the economy. For example, building infrastructure is severely needed for the country's future growth. Another example is investing in irrigation systems that would not only fix the current problems but also substantially help the agricultural community which forms the majority of the country. Reforestation is yet another strategic sector to focus on for future environmental sustainability and more balanced growth.

Potential Pitfalls of Cash for Work

There are a number of potential pitfalls and challenges that can be appropriately managed with ample awareness of the challenges and planning for solutions on time. Firstly, this is an ambitious and costly agenda, thus requiring strong donor commitment. However, as measured against the cost of prolonged war, which escalates as a result of neglect of underlying causes, the yearly budget would be well under 10% of US military expenditure in the country, per year.

Secondly, the implementation of such a large scale program requires immense administrative, logistical and oversight capabilities, capable of implementing thousands of small and medium-sized projects, as well as a smaller number of large ones. We, however, believe we do not need to reinvent the wheel and can rely on existing structures and institutions to carry

out such programs. The Ministry of Rural Rehabilitation and Development's flagship National Solidarity Program (NSP) is one such apparatus that we believe is fully capable of implementing such programs. With diverse sets of funding funneled into the Afghan Reconstruction Trust Fund (ARTF), managing the flow of funds becomes a less daunting challenge.

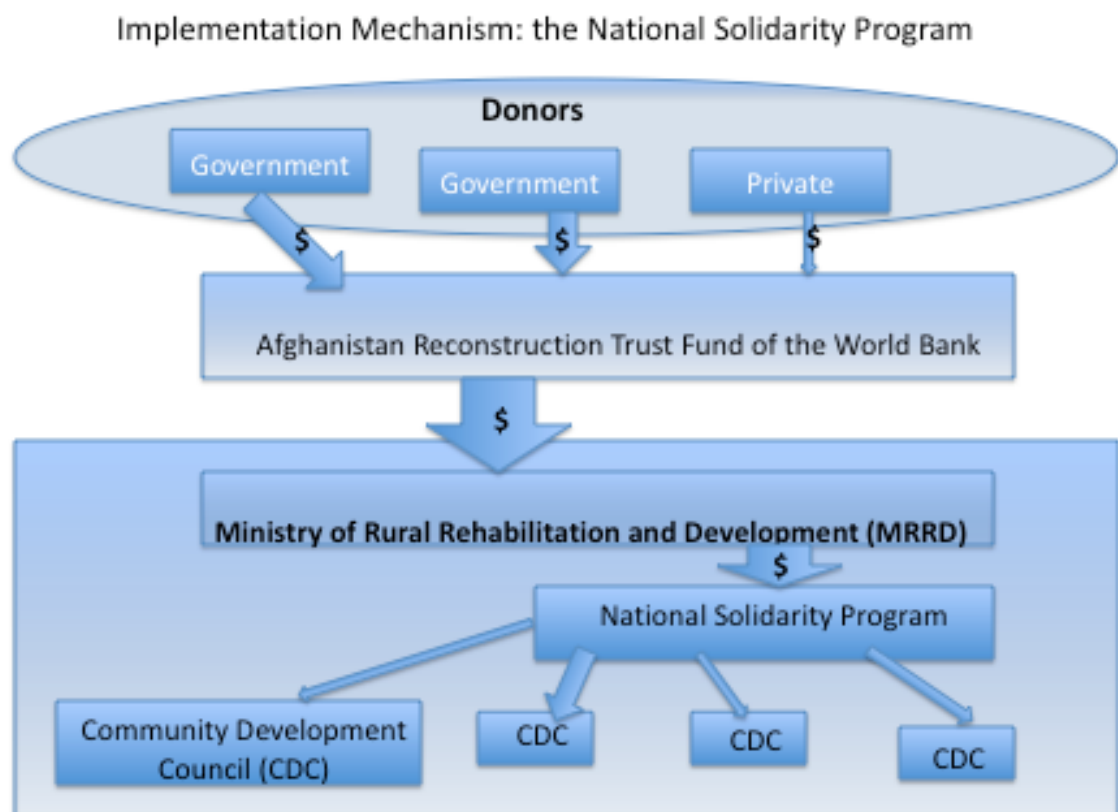
Thirdly, the sheer volume of work and cash involved may breed some level of corruption and misappropriation of funds. With appropriate measures taken ex-ante, such as forming a responsible oversight committee, promoting full disclosure and transparency, using existing ARTF mechanisms and institutionalizing formal banking transfers to the extent possible, the policy makers can work to eliminate the opportunity for fraud and corruption.

Lastly, like any other intervention at national level, this program will generate both desirable and undesirable indirect effects on the people and the larger economy. Injecting cash into people's pockets. However, this is much less distortionary than for instance *food-for-work*, which, especially if it uses imported food, can significantly affect local prices and the entire agriculture system. Another market distortion can be expected in the labor market, pulling workforce from other sectors or ending up employing non-poor based on patronage and personal relationships. Such distortions can be minimized by keeping the wages sufficiently low to leave no incentives for workforce to be drawn from other sectors or the participation of non-poor.

Implementation Plan

Rather than reinventing the wheel, we recommend following the same implementation plan that MRRD has been pursuing as part of its National Solidarity Program (NSP.) NSP is now reaching over 22,000 villages, or over 60% of the population, and has the capacity in place to manage a large number of small projects, working with the thousands of Community Development Councils (CDCs) now in place to obtain input and support at the critical local level.

The National Solidarity Program of the MRRD receives funding through the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF), a mechanism which is considered one of the success stories in reconstruction administration which efficiently implements large numbers of small projects, with high levels of local “buy-in” (please see illustration below.) For more details, please visit their website at <http://www.mrrd.gov.af/NSP/> or <http://www.nspafghanistan.org/>.



We recommend that planning for impact evaluations be incorporated in the program from the very beginning to quantify and measure the effects of the program on the lives of the people. For instance, it is not sufficient to simply compare people’s incomes or consumption

before and after intervention. This would not account for what would have happened to their incomes or consumption had the program been not implemented at all. It is for this reason that careful impact evaluations be planned for from the inception of the program to enable us to show the direction and magnitude of change in people's lives with vigorous and credible analysis.

Concluding Remarks

This working paper is intended to stimulate discussion of cash-for-work projects with the purpose of inviting the Afghan government/NGO/business community to point out where we are right and where we are wrong, what should be emphasized and what not so much. It is hoped that this working paper will be helpful should this or other forums decide in the future vote to adopt a paper representing an official position on cash-for-work programs, so that a unified voice may be presented to the international donor community. As well it is hoped that the points generated here can be of use to authors of proposals for cash-for-work projects to donor agencies.

We welcome your suggestions and comments.

Appendices

Appendix A: Estimated program budget

total pol	33,000,000			
workforce	15,000,000			
un.rate	40%		Total unempld	6,000,000
			1/2 of unempld	3,000,000
			1/4 of unempld	1,500,000
Days per month	30			
weeks per year	52			
weekdays per year	261			
days per year	365			
Daily wage (US\$)	7			
\$ needed to employ	per day	per month	per year	per working day per year
All unemployed	42,000,000	1,260,000,000	15,330,000,000	10,950,000,000
Half of unemployed	21,000,000	630,000,000	7,665,000,000	5,475,000,000
Quarter of unemployed	10,500,000	315,000,000	3,832,500,000	2,737,500,000
GDP per capita			400	
Income per person	7	210	2,555	1,825
Civil servant pay (avg)	4	120	1,460	1,043
	Plus operation costs		35%	3,695,625,000
<p>We are proposing earmarking \$3.7bn per year, approximately 10% of current military expenditure.</p>				
Legend:	Daily wage variable			
	Our focus area			

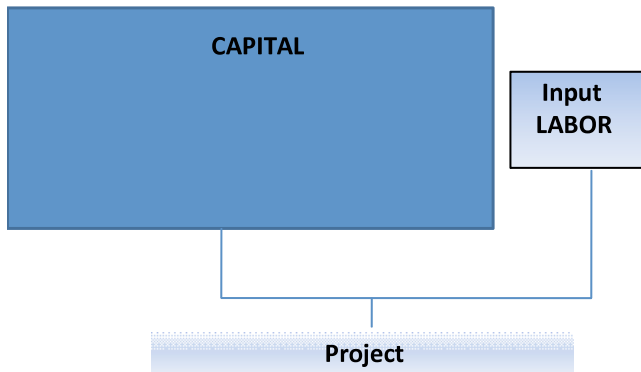
Appendix B: “T.E.M” Characteristics of Good Cash-for-Work Projects

- Transparency, Efficiency, Manageability

Transparency

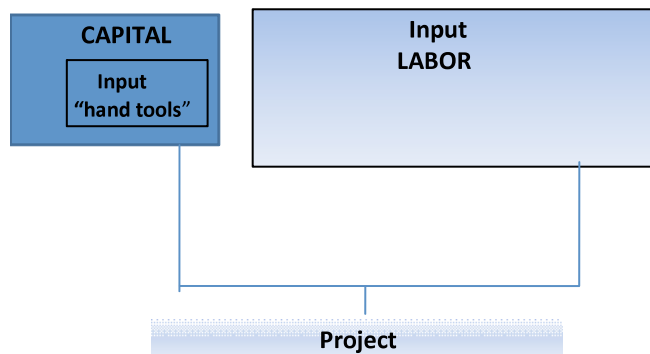
1) Transparency Poor: Capital-intensive projects are less transparent, large machinery and materials inputs provide opportunity for waste and fraud.

“Transparency”: Capital-Heavy Project



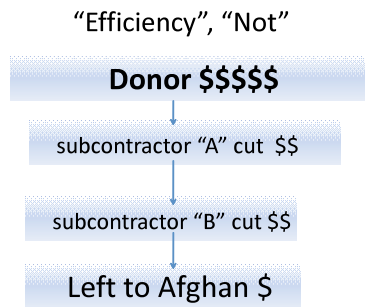
2) Transparency Good: Labor-intensive projects are more transparent, headcounts of workers multiplied by wage equals most of budget.

“Transparency”: Labor-Heavy Project

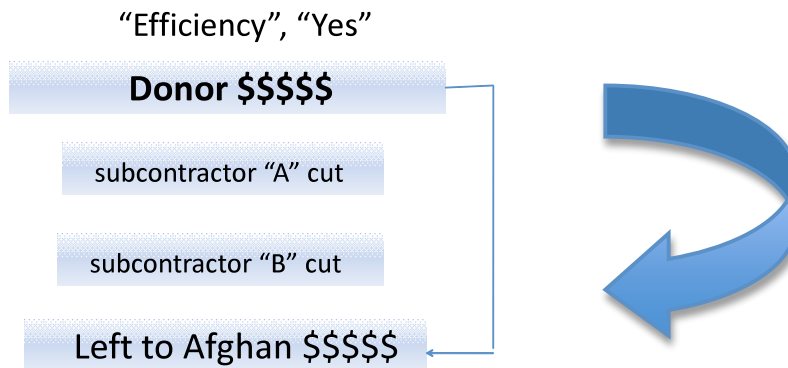


Efficiency

3) Efficiency Poor: Capital and skill-intensive projects can more easily justify multiple layers of subcontracting, a major avenue of waste, large amounts of time and energy may go into simply finding providers of skills and capital inputs.

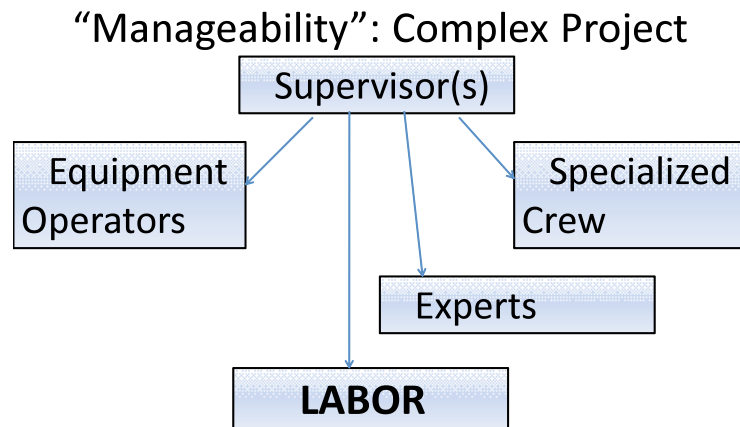


4) Efficiency Good: For labor-intensive, simple skill-set projects, multiple layers of subcontracting are hard to justify. Aid bypasses multiple subcontractors.

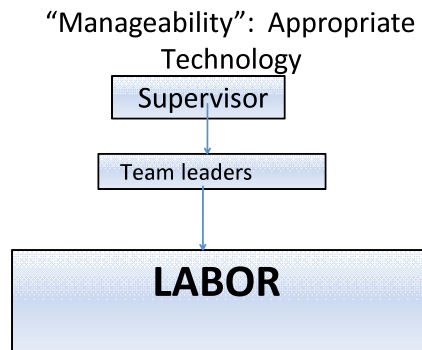


Manageability

5) Manageability Poor: Complex, capital heavy projects require multiple high-level technicians and skill set in the field, has higher administrative and consultant overhead,.



6) Manageability Good: Projects consisting largely of simple labor inputs are easy to manage, require fewer supervisors and technicians in the field



Appendix C: Timecard at a Cash for Work Project

Time Card for a Cash for Work Employee



Worker information

Columns represent weeks

Number of days worked per week

Hole punch indicates pay received

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