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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

PRI-12-182
Follow-up

November 18, 2014

This letter responds to your July 8, 2012, request for a mandatory declassification review of the Government Accountability Office report entitled United States Programs In Afghanistan (B-174120, Nov. 23, 1971).

As promised, we requested a mandatory declassification review of the above classified report from the Department of State, the Central Intelligence Agency, and the Department of Defense. These agencies has completed their review and determined that the classified report should be declassified in its entirety. A copy of the unclassified report is enclosed.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Timothy P. Bowling'. The signature is written in a cursive, flowing style.

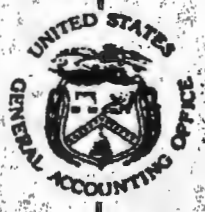
Timothy P. Bowling
Chief Quality Officer

Enclosure

05/18/71

UNCLASSIFIED

~~SECRET~~



REPORT TO THE CONGRESS

Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 07 NOV 2002 Authority: EO 13526
Declassify: X Deny in Full: _____
Declassify in Part: _____
Reason: _____
MDR: 13-M-0192

United States Programs In Afghanistan B-174120

*Declassified by:
Jess Hackett
Dept. of State
Declassified on:
Oct 7 2014*

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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NOV. 23, 1971

B-174120

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-174120

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on United States programs in Afghanistan. The programs reviewed were carried out by the Departments of State and Defense, the Agency for International Development, the Peace Corps, and the United States Information Agency.

(UNCLASSIFIED)

The review was undertaken as part of a continuing review of foreign assistance programs, pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). (UNCLASSIFIED)

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; the Secretary of Defense; the Administrator, Agency for International Development; the Director, Peace Corps; and the Director, United States Information Agency. (UNCLASSIFIED)

Comptroller General
of the United States

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ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
MAP	military assistance program
NSC	National Security Council
RGA	Royal Government of Afghanistan
USIA	United States Information Agency
USIS	United States Information Service
U.S.S.R.	Union of Soviet Socialist Republics

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UNITED STATES PROGRAMS IN AFGHANISTAN B-174120

*COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS*

D I G E S T

WHY THE REVIEW WAS MADE

U.S. participation in international development and the effectiveness of U.S. assistance programs received increasing consideration from the Congress during the latter part of the 1960's, and an intensified congressional concern with these matters currently is indicated. (UNCLASSIFIED)

The General Accounting Office (GAO) reviewed U.S. economic and military assistance programs and informational and cultural exchange activities and their roles in accomplishing U.S. objectives in Afghanistan. This is one of a series of reports by GAO on U.S. programs for individual countries. (UNCLASSIFIED)

The U.S. objective is an independent and nonaligned Afghanistan, willing and able to limit the influence of the Union of Soviet Socialist Republics (U.S.S.R.) in its affairs. The review emphasized the economic assistance program administered by the Agency for International Development (AID), because it is considered to be an important instrument in attaining this objective. (SECRET)

FINDINGS AND CONCLUSIONS

Between 1949 and 1970 Afghanistan received about \$1.7 billion in foreign economic and military assistance. About 88 percent of this aid was provided by the two world powers--64 percent from the U.S.S.R. and 24 percent from the United States. (See p. 9.) [REDACTED]

From fiscal year 1949 through fiscal year 1970, U.S. economic and military assistance to Afghanistan amounted to \$415 million, of which about \$4 million was for military assistance. (See p. 9.) (UNCLASSIFIED)

This military assistance provides training for Afghan officers in U.S. military schools. The U.S.S.R. has supplied all of Afghanistan's military equipment. (See p. 29.) [REDACTED]

The character of the economic assistance provided, particularly in the early years, reflected the political competition of the powers and was highlighted by "showcase" projects of limited development utility. Nevertheless the U.S. objective of a neutral Afghanistan was maintained without a military commitment. (See pp. 22 and 41.) [REDACTED]

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Afghanistan remains one of the poorest countries in the world. The per capita gross national product for 1969 was estimated at \$66. It is not self-sufficient in food needs. Only 10 percent of the population are literate. It still has primitive internal systems of transportation, power, communications, finance, and other institutions required for economic development. (See p. 41.) (UNCLASSIFIED)

Since 1965 U.S. economic assistance, except Public Law 480 commodities, has been both more modest and more fundamental, consisting of an average \$7 million a year in technical assistance grants and of an occasional development loan. U.S.S.R. economic aid also has generally declined. (See p. 7.) (UNCLASSIFIED)

Other free-world and Communist-bloc governments and the United Nations organizations have increased their economic aid to Afghanistan extensively since 1963. (See p. 7.) (UNCLASSIFIED)

The bilateral U.S. economic assistance program in Afghanistan has promoted economic development through projects in transportation, agriculture, education, family planning, and resource mobilization. Progress, however, has been restrained by the U.S. involvement in projects justified largely on political grounds, as well as by the considerable counterforce to development presented by Afghanistan's lack of economic capacity. (See p. 23.) ~~CONFIDENTIAL~~

Progress in Afghanistan undoubtedly could have been greater had United States and U.S.S.R. efforts been directed more toward economic development than toward extending their political influences. More unity among all donors working in Afghanistan also could have furthered progress. Afghanistan's small contribution to its own development stemmed, in part, from the United States-U.S.S.R. political strivings which enabled economic aid to be granted without Afghanistan's demonstrated effort to follow policies conducive to economic growth. (See p. 41.) (UNCLASSIFIED)

In GAO's view the economic development of Afghanistan probably would have a better chance of success if the multiple donors channeled more of their assistance resources through international organizations, to provide unified planning, management, and coordination with the Government of Afghanistan. ~~CONFIDENTIAL~~

It is possible that, in time, total aid through international organizations will be increased, at least from contributions of the free-world governments, and that the objective of Afghanistan independence and neutrality will be furthered through U.N. efforts to assist in economic development of Afghanistan. ~~CONFIDENTIAL~~

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At the same time the U.S. presence and influence in Afghanistan could be sustained by other means, such as by a continued military assistance training program and an improved information program. (See pp. 29 and 42.) ~~(CONFIDENTIAL)~~

RECOMMENDATIONS OR SUGGESTIONS

GAO suggested that the Secretary of State, in conjunction with the AID Administrator, continue to encourage multilateral aid to Afghanistan to the extent that U.S. objectives can be achieved more effectively. GAO is not questioning the merits of the U.S. foreign policy in Afghanistan. GAO believes, however, that the multilateral approach offers the United States an opportunity to consider a time-phased retrenchment of its bilateral economic assistance programs as the international organizations display the ability and willingness to provide additional development assistance for economic growth. (UNCLASSIFIED)

GAO suggested also that the U.S. Ambassador and members of his Country Team in Afghanistan intensify their efforts to coordinate U.S. programs with those of the various other donors, to further influence essential self-help requirements in Afghanistan. (UNCLASSIFIED)

GAO suggested further that the United States Information Agency (USIA) study the possibilities for useful expansion of its information program in Afghanistan. (UNCLASSIFIED)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of State accepted the GAO suggestions as a reasonable approach to future U.S. aid policy in Afghanistan. The Department stated that it was encouraging, and would continue to encourage, assistance to Afghanistan by the U.N. and the World Bank and had intensified its efforts to improve coordination of major donor assistance efforts in Afghanistan. ~~(SECRET)~~

The Department pointed out, however, that there were certain foreign policy constraints on the retrenchment of the U.S. bilateral aid program in Afghanistan. Afghan officials regard U.S. economic assistance as an affirmation of political support for Afghan independence and have indicated clearly that they would consider a major reduction of our aid presence as, in effect, abandoning them to overwhelming U.S.S.R. influence. (See p. 44 and app. III.) ~~(SECRET)~~

AID was in substantial accord with the GAO suggestions but differed primarily on timing, degree, and emphasis. AID believes that a greater initiative and share of the burden should be undertaken by international organizations but that bilateral as well as multilateral programs will continue to be needed. AID is supporting a programming approach whereby all ~~(CONFIDENTIAL)~~

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foreign contributions will be matched against Afghanistan's development requirements and support capabilities. (See p. 44 and app. IV.)

~~(CONFIDENTIAL)~~

USIA stated that an additional position had been granted for Kabul, along with additional funds to support an information officer. (See p. 29.)

(UNCLASSIFIED)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report is timely because of the increasing emphasis on multilateral economic assistance and because of the need to give increasing attention to the most effective allocation and utilization of U.S. bilateral economic assistance. The report presents information concerning the effects of a policy whereby United States assistance is provided as an alternative to U.S.S.R. assistance. ~~(SECRET)~~

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CHAPTER 1

INTRODUCTION

The General Accounting Office has reviewed U.S. economic and military assistance programs and informational and cultural exchange activities and their roles in accomplishing U.S. objectives in Afghanistan.

Our review emphasized the economic assistance program administered by the Agency for International Development because it is considered to be an important instrument in attaining U.S. foreign policy objectives in Afghanistan and because of the increasing emphasis on multilateral economic assistance and on the need to give increasing attention to the allocation and utilization of U.S. bilateral economic assistance.¹ We made limited reviews of the other U.S. programs and obtained information on the programs of the United Nations' organizations; the programs of the International Bank for Reconstruction and Development (IBRD) and its affiliates; and other bilateral assistance programs, principally that of the Union of Soviet Socialist Republics.

We reviewed U.S. policy papers and strategy statements, program documents, reports, correspondence, and other pertinent records available at the Washington, D.C., headquarters of AID, the Peace Corps, the United States Information Agency, the Export-Import Bank, and the Departments of State

¹U.S. contributions to U.N. organizations for other than peace-keeping activities increased from \$141.6 million in fiscal year 1961 to an estimated \$263.7 million in fiscal year 1970, an increase of over 85 percent. The funds were used, in the main, for economic cooperation and development and for the promotion of social progress. In contrast funds made available in the annual foreign assistance appropriations acts for U.S. bilateral economic assistance ranged from \$1.9 billion in fiscal year 1961 to \$1.4 billion in fiscal year 1970 but increased to \$1.75 billion in fiscal year 1971.

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and Defense and at their respective overseas locations in Afghanistan. We reviewed also international organization studies and other independent studies and reports on Afghanistan's development. We held discussions with responsible U.S. Government officials in Washington, D.C., and in Afghanistan and with representatives of certain international organizations. (UNCLASSIFIED)

DESCRIPTION OF AFGHANISTAN

The per capita gross national product for 1969 has been estimated at \$66, which places Afghanistan among the poorest countries in the world. It is a landlocked, mountainous country about the size of Texas and has a northern border extending for 1,400 miles along the U.S.S.R. The country also borders Iran and Pakistan and touches Communist China. (See map which follows.) No census has been taken, and population estimates vary from 8 million to more than 16 million. The official Royal Government of Afghanistan (RGA) estimate was 15.9 million in 1967. Only 22 percent of Afghanistan's land is arable, and, according to an international organization, Afghanistan's population size represents a high density for each acre of cultivated land. The estimated annual population growth rate is 2 percent. (UNCLASSIFIED)

Many of Afghanistan's published data essentially are based on guesswork according to an international organization. Statistics are fragmentary, and national accounts estimates are not prepared on a continuing basis. International comparisons are difficult because of a large difference between the official exchange rate (45 Afghanis to \$1) and the free-market exchange rate (84 Afghanis to \$1⁽¹⁾). (UNCLASSIFIED)

FOREIGN ASSISTANCE TO AFGHANISTAN

Afghanistan has received foreign aid from free-world, Communist-bloc, and nonaligned nations and from international ~~(SECRET)~~

¹August 1970. (UNCLASSIFIED)

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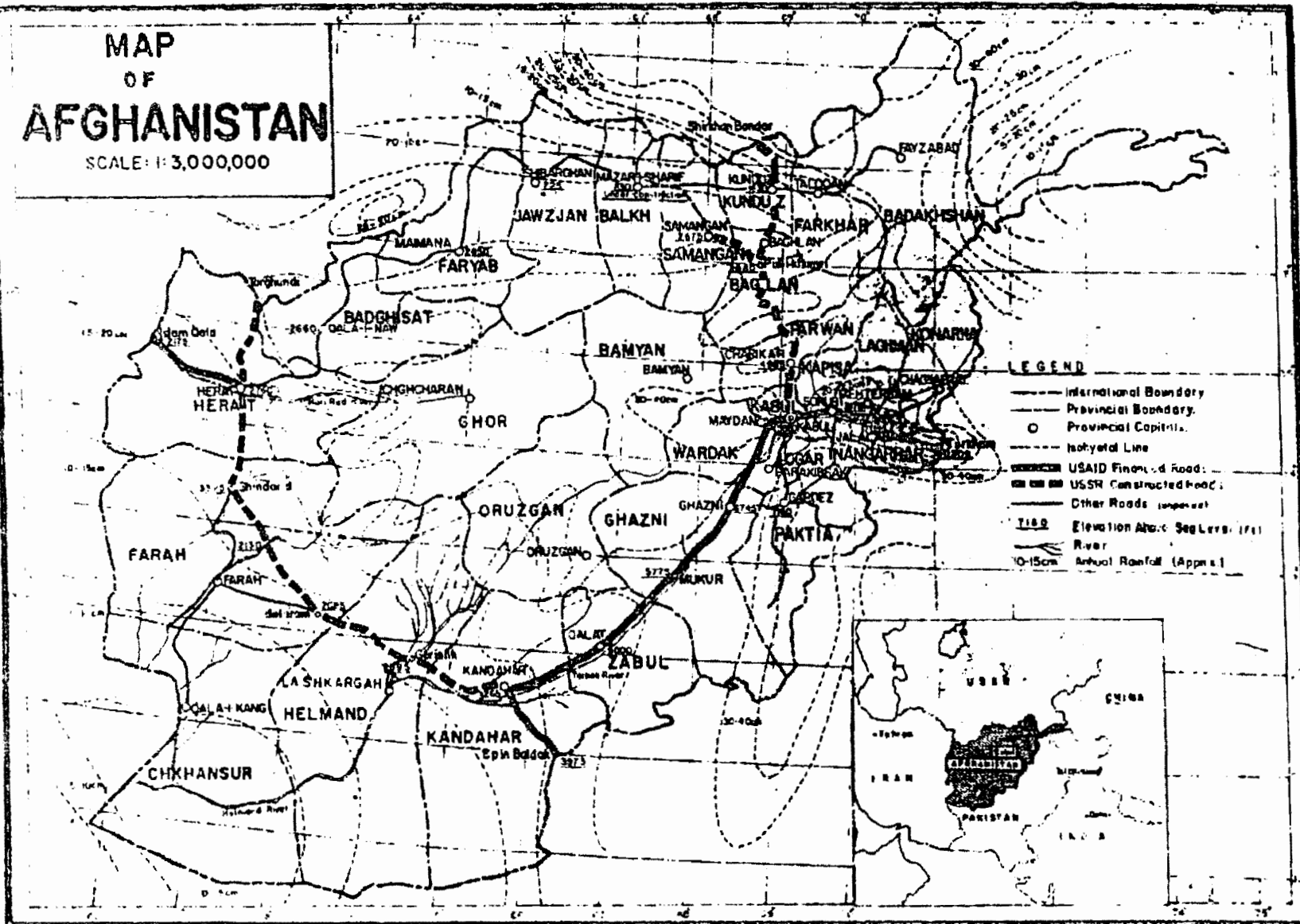
organizations. Although some of the amounts shown in the table on page 9 are estimates, the United States and the U.S.S.R. clearly have contributed the most. The United States has contributed 24 percent and the U.S.S.R. 64 percent of the \$1.7 billion in economic and military assistance received by Afghanistan from 1949 through fiscal year 1970.

~~(SECRET)~~

Since 1965 U.S. economic aid, except Public Law 480 commodity assistance, has averaged about \$7 million in grants each year, in addition to an occasional development loan. U.S.S.R. assistance in recent years has been marked by a decrease in economic aid. Other free-world donors and Communist-bloc countries have increased their programs, as have the international organizations. Afghanistan currently receives economic aid from a wider variety of sources than previously. (UNCLASSIFIED)

MAP OF AFGHANISTAN

SCALE: 1:3,000,000



LEGEND

- International Boundary
- - - Provincial Boundary
- Provincial Capital
- - - Isohyetal Line
- USAID Financed Road
- USSR Constructed Road
- Other Roads (unpaved)
- Elevation Above Sea Level (ft)
- River
- Annual Rainfall (Approx.)



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	Foreign assistance		
	Fiscal years 1949 through 1962	Fiscal years 1963 through 1970	Total
	(millions)		
U.S. Government programs (note a):			
AID and predecessor agencies	\$134.3	\$ 99.7	\$ 234.0
Public Law 480	40.0	86.2	126.2
Export-Import Bank	39.3	2.3	41.6
Peace Corps	-	9.1	9.1
Military assistance program (MAP)	1.5	2.5	4.0
Total U.S. assistance	<u>215.1</u>	<u>199.8</u>	<u>414.9</u> (UNCLASSIFIED)
International organization programs (percent of U.S. participation):			
International Development Association (IDA) (32%)	-	13.5	13.5
U.N. (about 40%)	9.7	36.2	45.9
Total international organization assistance	<u>9.7</u>	<u>49.7</u>	<u>59.4</u> (UNCLASSIFIED)
Other free-world donors:			
Federal Republic of Germany	7.7	77.0	84.7
United Kingdom	-	3.0	3.0
Japan	-	2.0	2.0
Total other free-world donor programs	7.7	82.0	89.7 (UNCLASSIFIED)
U.S.S.R. programs:			
Economic assistance	495.1	275.6	770.7
Military assistance	101.0	219.0	320.0
Total U.S.S.R. assistance	<u>596.1</u>	<u>494.6</u>	<u>1,090.7</u> (UNCLASSIFIED)
Other assistance (note b):			
Czechoslovakia	-	8.9	8.9
Peoples Republic of China	-	29.6	29.6
Yugoslavia	-	8.0	8.0
Total other Communist- bloc assistance	-	46.5	46.5
Total	<u>\$828.6</u>	<u>\$872.6</u>	<u>\$1,701.2</u> (UNCLASSIFIED)

^a Appendix I gives a further breakdown of U.S. economic aid programs. Figures in appendix I were compiled from sources different from those used for this schedule. (UNCLASSIFIED)

^b We were not able to obtain estimates of the relatively smaller economic aid programs of Sweden, France, Denmark, Bulgaria, India, Poland, and the Asian Development Bank. (UNCLASSIFIED)

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AUTHORITY AND RESPONSIBILITY FOR U.S. ASSISTANCE

The basic authority to finance foreign assistance activities is provided by the Foreign Assistance Act of 1961, as amended. The President has delegated to the Secretary of State the authority given him for overall direction, coordination, and supervision of economic assistance, which the Secretary has assigned, in turn, to the Administrator of AID. The President has delegated to the Secretary of Defense also the power under the act to furnish military assistance to friendly countries, which the Secretary has redelegated, in turn, to various branches within the Department of Defense.

Responsibilities for the Public Law 480 commodity program, authorized by the Agricultural Trade Development and Assistance Act of 1954, as amended, are divided among the Department of Agriculture, the Interagency Staff Committee, and AID. The Peace Corps conducts its programs separately but consults with other agencies and seeks to coordinate projects with AID. The Export-Import Bank's primary activities are to aid in financing exports and to facilitate exportation from the United States to foreign countries. The United States Information Service (USIS) seeks to promote a better understanding of all aspects of the United States among key Afghan audiences.

The coordination of U.S. programs is accomplished at several levels in the U.S. Government. At the highest level the responsibility for coordination rests with the National Security Council (NSC). At an intermediate level the NSC Interdepartmental Group for Near East and South Asia considers Afghanistan within a Near East and South Asia context. The group is composed of representatives from NSC, the Departments of State and Defense, and the United States Information Agency. The U.S. Ambassador to Afghanistan, under the country-team concept, coordinates and supervises the efforts of all U.S. agencies which operate in Afghanistan, within the framework of policies and goals established by the Department of State.

CHAPTER 2

U.S. OBJECTIVES AND STRATEGY VIS-A-VIS

AFGHANISTAN'S FOREIGN RELATIONS AND U.S.S.R. POSTURE

BACKGROUND ON U.S. INVOLVEMENT
AND U.S. OBJECTIVES IN AFGHANISTAN

Between 1949 and 1953 RGA asked the United States for military assistance on the condition that the United States provide some form of territorial guarantee for Afghanistan. The United States refused the RGA requests because a U.S. security guaranty was considered impracticable for the isolated, landlocked country. Also, in view of a U.S.S.R.-Afghan neutrality and nonaggression treaty, a military and security relationship with Afghanistan might be considered provocative and might result in confrontation with the U.S.S.R. in an area in which U.S.S.R. power was strong and United States power was vulnerable. Afghanistan then accepted U.S.S.R. military and economic assistance. (~~SECRET~~)

The United States does, however, have an important foreign policy interest in Afghanistan. According to the current NSC country policy statement,¹ developments in Afghanistan historically have had a direct impact on neighboring countries. Excessive U.S.S.R. influence in Afghan affairs would increase materially the psychological and subversive vulnerability of Iran, Pakistan, and, to a lesser degree, India--countries whose security the United States has given a high priority. (SECRET)

U.S. objectives in Afghanistan, as stated in the NSC statement, follow.

1. An independent and nonaligned Afghanistan, willing and able to limit the influence of the U.S.S.R. in its affairs. Following from this: (~~SECRET~~)

¹NSC Interdepartmental Group for Near East and South Asia Country Policy Statement for Afghanistan, dated August 1969. (UNCLASSIFIED)

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- a. The maintenance of internal security and political stability. (~~SECRET~~)
 - b. The development of governmental institutions conducive to political stability in a traditional society which is undergoing rapid social change. (~~SECRET~~)
 - c. Afghanistan's economic development at a rate to meet the rising expectations of a more politically conscious people. (~~SECRET~~)
2. The development of closer regional ties through the improvement of relations with Pakistan and Iran. (~~SECRET~~)

U.S. STRATEGY

U.S. strategy over the past several years has aimed at maintaining a U.S. presence to offset the influence of the U.S.S.R. presence. The United States does not, however, seek to exclude U.S.S.R. influence or to compete with the U.S.S.R. for preeminence in the country. U.S. presence takes the form of an economic aid program, diplomatic representation, a small military training program, the Peace Corps, and informational and cultural exchange activities. (~~SECRET~~)

The August 1969 NSC statement provides that, barring a major new U.S.S.R. initiative, the present balance between United States and U.S.S.R. influences can be maintained over the next 5 years by keeping the U.S. programs at about the present level. Alternatives of retrenchment and expansion of the AID program, the major U.S. program in Afghanistan, are not feasible according to the NSC statement. In addition, the statement states that Afghanistan is far from capable of doing without external economic assistance and that the United States' retrenching significantly would be, in effect, a recognition of unchallenged U.S.S.R. influence on Afghan actions. (~~SECRET~~)

At the other extreme a greatly increased U.S. economic role in the country is seen as impractical and unwarranted (~~SECRET~~)

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because of limited U.S. resources, RGA's inability to handle massive new aid, and the danger that such a policy would be misconstrued by the U.S.S.R. (~~SECRET~~)

AFGHANISTAN'S FOREIGN RELATIONS
AND U.S.S.R. POSTURE

Afghanistan traditionally has pursued a neutral policy in its foreign relations. According to the NSC country policy statement, Afghanistan must maintain close relations with the U.S.S.R. because of its geographical location and its vulnerability to pressures from the U.S.S.R. Afghanistan has recognized Communist China and seeks close ties with the neutralist countries of India, Yugoslavia, and the United Arab Republic. Afghanistan is an active member of the Afro-Asian block in the U.N. At the same time the country seeks close and cordial ties with the United States, the Federal Republic of Germany, and other Western nations. (~~SECRET~~)

According to the NSC statement, the U.S.S.R. probably is satisfied with present conditions in Afghanistan. Without direct intervention and active subversion, the U.S.S.R. is the major foreign influence and has potential for further expansion through

- large amounts of economic assistance,
- a virtual monopoly in training and equipping the Afghan Armed Forces,
- a favored position in trade,
- the careful dissemination of propaganda, and
- the education of Afghans in the U.S.S.R. (~~SECRET~~)

Through these means, according to the NSC statement, the U.S.S.R. can pursue a number of objectives as follows:

(~~SECRET~~)

- Limit U.S. influence and prevent any sort of Western alignment. (~~SECRET~~)

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- Obtain Afghan support for its position on various international issues. (~~SECRET~~)

- Use U.S.S.R. foreign aid to promote the state sector of the Afghan economy and to draw Afghanistan gradually into the noncapitalist path of development. According to the Department of State, the U.S.S.R. policy of peaceful coexistence with Afghanistan also serves U.S.S.R. interests as an example for other small aid-recipient countries. (~~SECRET~~)

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CHAPTER 3

U.S. ECONOMIC ASSISTANCE PROGRAM

RATIONALE AND STRATEGY

Overall U.S. objectives in Afghanistan have not changed, but the rationale and strategy of the U.S. economic assistance program have changed over the years. In providing economic assistance to Afghanistan as an alternative to U.S.S.R. assistance, the program has, in varying degrees, been used to further short-term U.S. political objectives and to counterbalance the U.S.S.R. effort in the country. Since about 1963 changes in the concept of U.S. economic assistance, combined with factors that range from limited U.S. funds to changes in the sociopolitical environment in Afghanistan, have led to a considerably reduced emphasis on competition with the U.S.S.R. Instead, the United States attempted to concentrate on Afghanistan's economic development problems as a means to further overall U.S. objectives. (~~CONFIDENTIAL~~)

The United States has not, however, been able to exert sufficient influence to get RGA to change major economic development policies. According to the AID Mission in Afghanistan, hereinafter referred to as the Mission, the underlying factors which reduce the U.S. influence on major economic policy issues include the relative smallness of the AID program, the RGA view that U.S. presence and interest in Afghan independence--in and of itself--is more important than the content and efficiency of AID programs, the traditional independence of the Afghans, Afghanistan's concern with political development, and the strong U.S.S.R. influence in the country generated by geographical proximity to the U.S.S.R. and by large U.S.S.R. economic and military programs.

(~~CONFIDENTIAL~~)

The Acting Administrator, AID, stated in September 1967 that the AID program was devised originally to obtain and maintain a foothold for U.S. interests. Political motivations influenced the character of the program. Other AID

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officials have stated that the program's range of activities and amount of assistance late in the 1950's and early in the 1960's were justified primarily on political grounds.

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Competition with the U.S.S.R. was still an important factor in the AID program in January 1963, after a full-scale review at the highest U.S. Government level of U.S. objectives in Afghanistan.¹ Following the review a Department of State message to the Ambassador stated: ~~(SECRET)~~

"*** we want to thwart major Soviet effort by maintaining an effective competitive position in Afghanistan. We will be demonstrating to Soviets that any plans for monopolistic position in Afghanistan will not escape unchallenged. To curtail seriously our position in Afghanistan would be signal to Soviets that we were abandoning field to them. Our retreat would leave vacuum for them to exploit." ~~(SECRET)~~

* * * * *

"Most effective instrument available to maintain an effective U.S. position in Afghanistan is our aid program." ~~(SECRET)~~

At about the time of the overall U.S. review, the Mission stated that the United States could urge the importance ~~(CONFIDENTIAL)~~

¹The review was made at the time of an Afghan dispute with Pakistan that resulted in suspended diplomatic, trade, transit, and consular relations between the two countries. The dispute, popularly called the Pushtunistan issue, arises from conflicting viewpoints over the future of Pushtuns living on the Pakistan side of the boundary between the two countries. The most recent crisis lasted from September 1961 until June 1963. The border closure prevented AID commodities from getting to Afghanistan until an alternate route through Iran was arranged. (UNCLASSIFIED)

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of AID self-help standards but, in practice, had little or no leverage to obtain the action. The Mission's analysis of self-help in November 1962 presented a mixed picture--positive because of Afghanistan's interest in education, efforts to increase taxes and exports, and conservative fiscal policy but negative because of discouragement of private investment, the effort to place most of the local currency cost of development on the United States and the Federal Republic of Germany, and the crippling effect of decisionmaking only at the top levels of Government. (~~CONFIDENTIAL~~)

March 1963 marked the beginning of an evolution in AID rationale and strategy that was not completed until 1967. A change in the Government of Afghanistan during this period, with the appointment of a more liberal and Western-oriented cabinet and the reopening of the border with Pakistan, gave AID new hope for its future program's success. (~~CONFIDENTIAL~~)

In August 1963 the U.S. Ambassador to Afghanistan commented that:

"*** the U.S. attitude towards Afghanistan must undergo a commensurate change to that which is taking place in the country itself. At long last a break has come in the age-old political and social patterns in this heretofore medieval society. While the outcome will depend in large measure on the initiative of Afghanistan's own leadership, outside influence can and will have a great bearing on the ultimate shape of the future. The Royal Family and much of the Western-trained intelligentsia are predisposed to the preservation of a neutral stance, to be sure albeit with a bias for the free West. Sympathetic consideration and assistance from the West, led by the United States, may make the difference. Initial signs are promising that reforms involving financial policy planning techniques and public administration are being instituted which justify the exposition that aid can be more effective ***." (~~CONFIDENTIAL~~)

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Mission officials stated in 1963 that, in the past, many of the AID projects were a reaction to an immediate or possible threat and that the United States "sought to head the Russians off, to preempt sectors, to make an impact." Consequently the United States became involved in some projects which, although fundamentally good ideas, were premature or too large. (CONFIDENTIAL)

Mission officials believed that a somewhat different program emphasis was required to better serve U.S. objectives. Although some infrastructure projects were believed necessary, more attention could be given to income-producing projects. Reasons given for the change in program emphasis included the facts that financing had been completed for many U.S. activities, basic heavy construction had been built or was under way, and the political situation had become more conducive to development and cooperation with the West. The Mission believed that the United States should encourage the trend toward political freedom as helping to build a stronger nation more oriented to the West. The improved political climate gave AID an opportunity to encourage liberal democratic institutions; i.e., nation building. (CONFIDENTIAL)

Afghanistan continued its steps toward a more democratic government in 1964 and 1965 under the King's guidance in political reform, known as the experiment in democracy. In August 1964 the Mission stated that the new Afghan Government had proven more responsive to U.S. advice and persuasion and was prepared, in theory at least, to take necessary self-help measures. (CONFIDENTIAL)

RGA encountered serious financial difficulties in 1964 and 1965 that led to inflation and then to depletion of convertible foreign exchange. By March 1965 the situation had reached crisis proportions and had caused Afghanistan to appeal to the International Monetary Fund (IMF) and other donors for emergency assistance. The problems were seen by Mission officials as a product of superimposing a development effort too large and too ambitious for the economic base of a simple, essentially static economy in terms of output. (CONFIDENTIAL)

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Foreign aid donors had intensified RGA's concentration on infrastructure development. One of the difficulties was the political pressure to accept increased foreign aid which was most easily applied to infrastructure development. The RGA development effort to mid-1965 concentrated on public investment in infrastructure; e.g., main roads and airports. Little attention had been given to investment designed to yield an early return in terms of greater output for both export and internal consumption. Mobilization of domestic resources through the tax system fell behind growth in expenditures, which increased reliance on deficit financing. Rising public outlays and deficit financing contributed to inflation and balance-of-payments difficulties with the depletion of foreign exchange. ~~(CONFIDENTIAL)~~

In July 1965 the Mission said that, if the AID program was responsive to Afghanistan's priority economic needs, the United States could exert leverage to shift some of Afghanistan's own resources in the same direction. In effect the United States could force RGA to move toward a more rational development policy. ~~(CONFIDENTIAL)~~

A comprehensive evaluation of the U.S. economic assistance program was made in Washington in mid-1967 completing the AID rationale and strategy shift. A memorandum to the AID Acting Administrator, following the review, stated that:
(UNCLASSIFIED)

"The rationale for our program is altered from that of countering Soviet efforts to concentrating on specific development problems of Afghanistan. Our strategy places major emphasis on Afghan performance and we set forth specific criteria which we will expect to be met. Program proposals are specifically aimed at supporting the key elements of our strategy."
~~(SECRET)~~

The AID Acting Administrator stated in September 1967 that the strategy shift was designed to achieve the U.S. objective of an independent and nonaligned Afghanistan through
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a program to strengthen Afghanistan politically and economically. The main obstacle to modernization was cited as an inadequate Afghan commitment to development. Therefore, because success in achieving U.S. objectives was dependent on Afghanistan's commitment to development, AID would focus its strategy on maximizing Afghan self-help. ~~(CONFIDENTIAL)~~

Even though the Mission had proposed a U.S. strategy directed at self-help, it was not sure that RGA would take the necessary self-help actions to accelerate economic development. The Mission pointed out that RGA traditionally had bargained for assistance from rival powers and had shown evidence of continuing to exploit possibilities of balancing amounts of aid for its third 5-year plan period (1967-72) from the United States and the U.S.S.R. ~~(CONFIDENTIAL)~~

The Mission regarded tradition and the weakness of newly formed political institutions as some of the problems involved in getting greater Afghan commitment to self-help and economic development. A contributing factor was the potential disunity of the nation, divided on tribal, linguistic, ethnic, and geographic lines. ~~(CONFIDENTIAL)~~

The hopes for greater Afghan self-help dimmed in 1968. In June 1968 the Mission reported to AID that foreign-exchange earnings, revenues, and the proportion of the development budget financed from local resources declined in the past 2 years from an already low level. The Mission also pointed out that Afghanistan's independence seemed increasingly dependent on its capacity to demonstrate to its people and its neighbors that Afghanistan was achieving economic results. ~~(CONFIDENTIAL)~~

The Mission said that the U.S.S.R. threat to Afghanistan was less direct and immediate, even if it was still real, than it had been 10 years earlier. The U.S. concept of the U.S.S.R. threat also had changed with the moderation of the clash of United States-U.S.S.R. interests in the world. Increased competition for the reduced funds available to pursue foreign policy objectives also limited the U.S. freedom of action and ability to compete with the U.S.S.R. ~~(CONFIDENTIAL)~~

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In June 1969 the Mission reported to AID in the proposed fiscal year 1971 program that RGA self-help performance still was failing. Trends had not improved in foreign-exchange earnings, revenues, or the proportion of the development budget financed from local resources. Progress on AID loans was slow. RGA support of AID projects was seen as generally adequate; however, according to the Mission, support came from local currency generated from U.S. commodity assistance under Public Law 480. The Mission concluded that RGA appeared to have decided to give a lesser priority to short-run economic growth than to the development of political institutions and stability, which the King perceived as the basis for long-run economic development and national integration.

(~~CONFIDENTIAL~~)

Faced with the disappointing Afghan economic performance, the Mission stressed the political development aspects in Afghanistan, stating: (UNCLASSIFIED)

"It must be remembered that Afghanistan is trying to carry out a double revolution -- nurturing an experiment in democracy and economic development. Furthermore, it appears that the country's leadership -- symbolized by the King in this case -- has decided to stress temporarily the development of a fledgling political democracy and tolerate the fumbleings and foibles of an inexperienced Parliament at the expense of economic development. Appreciation of this point is fundamental in assessing self-help performance. The King and his advisors have decided that for the moment the country can afford not to charge ahead in economic development while concentrating on political modernization. They hope thus perhaps to counter the threat of internal disintegration stemming from a possible struggle for power of ethnic or tribal groups, and possibly over such other issues as the nature and direction of political modernization or the pattern of economic development. (~~CONFIDENTIAL~~)

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"Eventually it will become evident that Afghanistan's continued flexibility in its internal and external policies will be dependent upon not only political modernization but also on achieving results in the economic sphere. *** The Afghans are not yet as committed to economic development as we believe they should be."

(CONFIDENTIAL)

The Mission said that, although U.S. assistance could achieve piecemeal improvements and could get RGA to act in certain narrow project areas, it could not persuade RGA to improve self-help on general economic development policies which involved potentially unpopular and politically risky steps. (CONFIDENTIAL)

In June 1970 the Mission reported to AID that political stability remained RGA's priority concern and that the economic situation had not improved. Dependence on foreign assistance increased, as did RGA's desire to maintain a Western presence as a counterbalance to substantial U.S.S.R. and Communist Chinese assistance and economic relations. Self-help on major policy issues was stated as bad and probably would remain so for some time, although progress had been made in narrower AID-assisted projects. (CONFIDENTIAL)

ECONOMIC DEVELOPMENT AND
U.S. ASSISTANCE EFFORTS

U.S. economic assistance is considered an important instrument in attaining the U.S. foreign policy objectives. The character of assistance rendered, particularly in the early years, reflected the United States-U.S.S.R. political competition in the country and was highlighted by "showcase" projects of limited development utility. Since 1965 U.S. economic assistance, except Public Law 480 commodity aid, has been both more modest and more fundamental, stressing technical assistance in agriculture, education, government management, and family planning. (CONFIDENTIAL)

Foreign assistance accounts for most of Afghanistan's economic development effort. Afghanistan has not been able

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to effectively mobilize and use its own public and private resources for development purposes. Government revenue has been sufficient only to meet operational expenses, and private investment has not had much impact on development although an improved private investment climate holds promise for future progress in this area. The country faces a continuing balance-of-payments problem because of increased debt repayments that may not be matched by growth in exports. Most of the debt is owed to the U.S.S.R. and is being repaid mostly through Afghan exports to that country. (UNCLASSIFIED)

The bilateral U.S. assistance program in Afghanistan has promoted a measure of economic development through AID and its predecessor agencies' projects in transportation, agriculture, education, family planning, and resource mobilization.¹ Progress in these sectors, however, was impaired because, according to Mission officials, in the past the United States sought to head the Russians off. Consequently, late in the 1950's and early in the 1960's, the United States often got involved in projects justified largely on political grounds. Progress also has been restrained by a considerable counterforce to development presented by Afghanistan's lack of capacity. Chapter 6 discusses multilateral versus bilateral aid to Afghanistan and the basis for our proposal that the United States consider an alternative approach for attaining U.S. objectives. (~~CONFIDENTIAL~~)

AID and its predecessor agencies' largest assistance effort has been in development of transportation, primarily construction of highways and airports. This assistance was provided largely late in the 1950's and early in the 1960's, when the U.S.S.R. also was assisting Afghanistan in the construction of highways and Afghanistan's most important airport at Kabul. By the two bilateral assistance programs, a (~~CONFIDENTIAL~~)

¹Brief synopses of U.S. assistance efforts in these areas are included in this chapter. Appendix II contains further information on these sectors. (UNCLASSIFIED)

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useful highway system and an air transportation system have been provided in Afghanistan. One unfortunate result of the competition between these programs was the construction of a U.S.-financed international airport at Kandahar that was influenced heavily by political objectives at the time. The airport is still outside international air routes and has only minor internal traffic. (~~CONFIDENTIAL~~)

Most of the U.S. efforts in agriculture have concentrated on a relatively small geographic area, the development of which has become associated with U.S. prestige. Although some results are identifiable, there is not much doubt, in our opinion, that political factors have influenced U.S. decisions to concentrate heavily on this area rather than to select projects on the basis of a review of overall agricultural needs. (~~CONFIDENTIAL~~)

As noted on page 60, the Asian Development Bank is financing a review of Afghanistan's overall agriculture needs and AID plans to await completion of this study before it makes any new commitments in agriculture. In an interesting counterpart to U.S. assistance to one geographic area in Afghanistan, the U.S.S.R. has provided assistance to an agricultural project in a different geographic region that is associated with U.S.S.R. prestige. (~~CONFIDENTIAL~~)

U.S. assistance in education has been directed toward improving Afghanistan's only university, assisting vocational education, and developing elementary school textbooks and curricula. Some progress has been achieved, but the extent of improvements in the quality of education or in Afghan capabilities to continue progressing after AID projects have phased out cannot be evaluated objectively. Some factors which continue to impede continuing progress in any education development effort are inadequacies in Afghan leadership and in managerial capabilities and Afghan attitudes ranging from firm advocacy of the status quo by Moslem priests to forceful demands for change by the university-age population. (~~CONFIDENTIAL~~)

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U.S. assistance in family planning started in 1968, and, although it remains a small program, it has been quite successful thus far.

U.S. efforts to assist Afghanistan in the mobilization and use of its public and private resources for development have had varied results. Afghanistan still does not have a good plan for its development, although United States development planning assistance may have helped in countering U.S.S.R. planning assistance. Improvement in RGA financial administration, the private investment climate, and a marketing cooperative are at least partly attributable to U.S. assistance.

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CHAPTER 4

OTHER U.S. PROGRAMS

UNITED STATES INFORMATION SERVICE

We believe that USIS programs contribute, to some extent, to the attainment of U.S. objectives in Afghanistan by disseminating information directed toward influencing Afghan leaders and by managing private international cultural programs and the Department of State's educational and cultural exchange programs. Data which we reviewed concerning these activities, however, do not provide a basis for evaluating the extent to which the activities have influenced Afghan attitudes, a principal USIS goal.

~~(CONFIDENTIAL)~~

Factors limiting USIS activities in Afghanistan include restrictive regulations of RGA and curtailment of some informational activities in the past year due to renovation of physical facilities. Also USIS officials contend that a lack of manpower prevents their taking full advantage of new opportunities which have arisen recently to increase information activities in the growing Afghan media. ~~(CONFIDENTIAL)~~

The USIS program in Afghanistan is modest. It costs an estimated \$200,000 a year to operate and has a full-time staff of 19 people, including four Americans. USIS directs its efforts toward a total target group of about 2,400 Afghans identified as leaders or potential leaders, including political, academic, and communications media leaders.

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USIS's primary means to inform and influence target groups include the American Center, the Afghan communications media, personal contacts of USIS American staff with Afghans, the USIS Bulletin, and the Department of State exchange program which it administers in Afghanistan.

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The American Center has a 7,000-volume library and about 1,000 members, an English training program, an

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auditorium, and exhibition areas. At the time of our review, the library had been closed for about a year due to renovation work and other operations of the center had been curtailed. The American Center provides a setting for personal contacts between the USIS American staff and selected Afghans who are invited to films, openings of exhibits, and receptions held at the center. (UNCLASSIFIED)

The number of newspapers published in Kabul and in provincial capitals is growing, and these media represent USIS's primary outlet for influencing target audiences. In 1967 there were five independent papers which had a total circulation estimated between 10,00 and 12,000. By 1970 there were 14 independent papers which had a total circulation estimated between 30,000 and 40,000. According to USIS about 90 percent of the material sent by USIS to about nine Kabul newspapers and to Bakhtar, the Government news agency, is published. (~~CONFIDENTIAL~~)

USIS officials consider Radio Afghanistan, the only radio outlet in the nation, to be the most effective mass communications media because of the low reading ability of most Afghans. The USIS Country Plan Program Memorandum noted that Radio Afghanistan had interviewed visiting Americans and had requested news and features of special events, such as the U.S. Apollo program. (~~CONFIDENTIAL~~)

According to the USIS program memorandum, the U.S. Bulletin, published in English, provides an outlet for material that RGA press control prohibits from publishing in Afghan newspapers. In the past the bulletin has been used to publicize AID activities, but this was not so at the time of our review. In the opinion of a USIS official, the bulletin should be used to explain U.S. foreign policy issues and not, at the same time, to advertise AID activities. (~~CONFIDENTIAL~~)

From 1950 to 1969, 324 Afghans visited the United States and 45 Americans visited Afghanistan under the Department of State and private international educational and cultural exchange programs administered by USIS. The programs have reached important Afghans. For example, in January 1970 the participants included five newspaper editors, four provincial governors, and three RGA Supreme Court Justices. (UNCLASSIFIED)

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The 1969 NSC country policy statement for Afghanistan stated that USIS could make an important contribution to Afghanistan's experiment in democracy by exposing Afghans to free-world ideas. USIS views the exchange program as particularly important in this regard. The program has attempted to influence the development of a legal system in Afghanistan by bringing prominent Afghans--such as faculty members of the Kabul University School of Law and leading judicial officials--to the United States.

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USIS has publicized AID activities in Afghanistan in various ways. Exhibits and photos were displayed by USIS at the Kabul Fair in 1968. In 1969 USIS sponsored a tour to the AID-assisted Helmand-Arghandab Valley Authority project for representatives of the Afghan printed media; favorable news coverage resulted. More recently USIS compiled an illustrated brochure on AID activities for dissemination to about 6,000 Afghans. (UNCLASSIFIED)

In a December 1968 report, USIA inspectors recommended reinstating an information officer position that previously was cut from the USIS staff. The inspectors described Afghanistan as emerging from a feudal state into the modern world and as having political blocs not yet formed and communications media not yet strongly influenced by the U.S.S.R. The inspectors commented that the USIS Public Affairs Officer, in trying to perform an information officer's role as well as his own, had been unable to make adequate contacts with the Afghan communications media. They also noted that other important USIS activities had been curtailed, including reporting of public opinion trends, shifts, and developments. (UNCLASSIFIED)

A USIA official did not concur in the inspectors' recommendation. In a letter to USIS in December 1968, he stated that the social and political environment in Afghanistan always would point to a very limited information program and that other countries had a priority claim to any new information officer positions which become available. (UNCLASSIFIED)

USIS officials told us in July 1970 that, although RGA maintained control over the communications media by restricting publication of material that was counter to RGA

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views, opportunities for disseminating information definitely had increased. Reasons for these new opportunities include coincidence of United States and RGA foreign policy interests in some instances, proliferation of independent newspapers in Kabul, and sophistication and growing importance of selected audiences outside Kabul. According to USIS a lack of manpower has precluded it from taking full advantage of increased opportunities for disseminating information. (~~CONFIDENTIAL~~)

CONCLUSION AND AGENCY COMMENTS

We suggested that USIA study the possibilities for useful expansion of its program in Afghanistan. The USIA Director, in a letter dated March 17, 1971, told us that, in line with our proposal, the USIA inspectors' recommendations, and the evaluation made in Kabul by USIA's Deputy Director and in view of significant changes in the local situation, an additional position had been granted for Kabul, along with additional funds to support an information officer. (UNCLASSIFIED)

MILITARY ASSISTANCE PROGRAM

MAP provides training for Afghan officers in U.S. military schools. From inception in fiscal year 1958 through fiscal year 1970, this assistance amounted to \$4 million. MAP has given the United States an entry into the politically important Afghan military which is considered vulnerable to U.S.S.R. influence and, according to U.S. officials, has contributed to the U.S. objective of Afghan nonalignment. As of August 1970 U.S. officials estimated that about 275 Afghan officers had received U.S. military training compared with an estimated 2,000 Afghan officers who had received U.S.S.R. military training. The U.S.S.R. has supplied all of Afghanistan's military equipment. (~~SECRET~~)

Some U.S.-trained officers are occupying influential positions in the RGA military. Available data that we reviewed, however, do not provide a basis for evaluating the extent to which MAP is achieving its principal objectives of promoting pro-U.S. orientation and of establishing a relationship of mutual trust and confidence with the Afghan Ministry of Defense and Armed Forces. (~~SECRET~~)

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Program administration has been hampered by an RGA failure to nominate candidates, delays in nominating candidates, and certain restrictions on the part of RGA. For example, the U.S. Defense Attache knew the ranks and/or positions of only 33 of the 154 Afghan officers who had received U.S. training from 1958. The Defense Attache generally attributed this to the limited contact that he was allowed with the Afghan military. ~~(SECRET)~~

The Department of Defense informed us in March 1971 that, after our visit to Kabul, the Defense Attache was able to identify positions of 133 officers who had received U.S. training. The Department of Defense also stated that, with few exceptions, the officers were in extremely influential positions. ~~(SECRET)~~

PEACE CORPS

The Peace Corps presence in Afghanistan and its apparent favorable reception there have made, in our opinion, a contribution to the attainment of U.S. objectives. The program cost \$9.1 million from fiscal year 1963 through fiscal year 1970, and most of the Peace Corps effort has been in the areas of education and health. Largely due to the absence of necessary RGA support, however, Peace Corps programs have not been as successful as they could have been in assisting in economic development. Another contributing factor has been the lack of volunteers having the skills and experience needed to assist in high-priority economic development sectors, such as agriculture. ~~(CONFIDENTIAL)~~

The Peace Corps is increasing its efforts to recruit more highly skilled and experienced volunteers, to enable its program to be more responsive to the economic development needs of the host country. In our opinion, host country support, which determines to a large extent the volunteers' usefulness, should become an increasingly important factor in determining their assignment, especially in view of the indicated difficulty in recruiting volunteers.

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The Peace Corps commented in March 1971 that, although there had been varying degrees of RGA support for its programs and some skills shortfalls, no program from 1962 had failed or been canceled due to the lack of skilled volunteers.

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CHAPTER 5

COORDINATION OF FOREIGN ASSISTANCE

There is no formal coordination of the various foreign assistance programs in Afghanistan. Various informal means of coordination at the program and project level have succeeded in avoiding duplication of efforts. The United States has recognized the need for an effective framework of coordination for development of a common assistance strategy and common policies among major donors, but prospects for early implementation of such a framework are not good.

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Coordinating the many bilateral and multilateral foreign assistance programs in Afghanistan is difficult and complicated because of the varying interests and motivations of Communist, Western, and nonaligned nations, as well as international organizations. Nevertheless U.S. policy is that U.S. assistance programs are to be coordinated with others with respect to not only individual projects but also the recipient's national priorities and self-help requirements. Coordinated multidonor assistance efforts may be politically more acceptable to the recipient country as well as more conducive to self-help efforts, according to State and AID guidance. (~~CONFIDENTIAL~~)

Although earlier mention was made of the need for better coordination, most of the discussions on more formal means of coordination began in June 1969. At that time the Mission recommended to AID that the Development Assistance Committee¹ or a similar international group convene a meeting to explore the feasibility of creating a consultative

¹The Development Assistance Committee is an organization composed of most of the major free-world nations. It acts as a primary mechanism for the expansion and coordination of free-world aid to less developed countries. It was established in 1961 and is headquartered in Paris, France.

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group on aid to Afghanistan. The group would provide the more formal intergovernmental mechanism to consider and harmonize the objectives, strategy, kind, and type of aid that each country or international agency could provide to Afghanistan. (~~CONFIDENTIAL~~)

The Mission suggested that an informal group of donors, possibly including the U.S.S.R. and Eastern European countries, be formed to coordinate their activities and to reach an understanding on certain basic policy measures that should be taken by Afghanistan. Under this proposed arrangement each donor would approach Afghanistan independently and separately and would press for the same policy measure to be taken. The Mission suggested also that the United States take a leading role in setting up the informal group. Alternatively, the IBRD representative in Kabul could take the initiative and the Mission could provide staff and policy backup. (~~CONFIDENTIAL~~)

The Afghanistan country review held by AID in September 1969 did not result in entire agreement with the Mission suggestion. Coordination of Western assistance was seen as necessary to ensure effective resource allocation and to discuss RGA performance. It was felt that a formal consultative group was somewhat premature for Afghanistan and that the United States should play a supporting role rather than take the initiative in establishing any sort of formal group. It was observed that IBRD, the usual leader of such a group, was not ready to take a leading role at that time, although it might do so in the near future, after some general studies had been completed. (UNCLASSIFIED)

The reviewers also believed that RGA had not requested a consultative group and might be reluctant to associate with a grouping of Western donors because of possible U.S.S.R. counterpressure. (UNCLASSIFIED)

The Washington review supported a more effective coordinating mechanism at the technical level. The review urged that RGA participate and that the IBRD representative play a leading role in the group. AID advised the Mission in September 1969 that the IBRD representative would take an
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active role in leading the technical coordinating group but only at RGA's direct request.

In June 1970 the Mission reported to AID that the IBRD representative had not taken the lead in a coordinating group although the Mission had urged him to do so. The Mission considered it an opportune time to coordinate the activities of the aid donors because RGA was preparing the fourth 5-year plan (1972-77).

The Mission believed that better coordination under either IBRD or U.N. leadership (the latter considered unlikely) could increase the amount of leverage with RGA. A grouping of donors also would provide an opportunity to reach an understanding on the measures which the donors felt that RGA should follow in its daily governmental operations, the policies it should incorporate into the fourth 5-year plan, and the laws it should press Parliament to enact. The Mission stated that emphasis would be not on precondition leverage pressure on RGA but rather on friendly and firm persuasion by various donors. The Mission recommended that both State and AID urge IBRD to take the lead at this opportune time.

As of late July 1970, no real progress had been made and opinions still varied as to what arrangements would be best for closer coordination. The IBRD representative told us that he favored a U.N. lead role in any coordinating group because of the inclusion of the largest aid donor, the U.S.S.R. The U.S.S.R. is not a member of IBRD and thus normally would not be part of a coordinating group under IBRD's leadership, although the U.S.S.R. could voluntarily join the group. He was not in favor of a Development Assistance Committee-type arrangement because, in his opinion, such arrangements had not worked out well in other countries in that the European countries in the Committee felt that they were being pressured to provide more aid.

The U.N. Resident Representative told us in July 1970 that about 7 months earlier he had proposed to RGA that all donors and RGA get together to discuss the fourth 5-year plan and the kind and type of aid that each donor could provide. On the basis of the Representative's statements, it

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seemed that the proposal consisted of a joint planning effort by the donors and RGA. The U.N. Assistant Resident Representative told us that RGA had not yet responded to the proposal but that the U.N. intended to renew discussions with RGA on this matter in the near future. He told us also that the U.S.S.R. probably would join in a U.N.-led group.

Various informal means of coordination have been used and appear to be successful at least in avoiding duplication of efforts. Our review showed only two areas of possible intended duplication among donors; i.e., in development planning efforts by the United States, the U.S.S.R. and Germany (see p. 82) and by the United States and the U.S.S.R. in education (see p. 64). In these areas the donors seemed to have been politically motivated.

The Mission Director told us that his predecessor sponsored meetings in 1968 and 1969, which representatives of bilateral donors and multilateral agencies attended (including the U.S.S.R. but not the Chinese Communists) to discuss their programs. He regarded these meetings as useful but urged that the resident representatives of the international organizations assume the leadership of this effort. A Mission official responsible for program coordination told us that Mission contacts with bilateral and multilateral representatives varied from good to nonexistent; the Federal Republic of Germany and the U.N. were at the upper end and Communist China was at the lower. He said that the Mission had had fair relations with the U.S.S.R.

Both the present Mission Director and his predecessor have instructed their technical staffs to coordinate, on an ad hoc basis, with their counterparts in both the U.N. and the other bilateral aid programs. According to a Mission official, these contacts are generally frequent in areas of AID concentration (agriculture and education) and infrequent where AID has a small interest (health).

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CHAPTER 6

OBSERVATIONS ON AN ALTERNATIVE APPROACH

FOR ATTAINING U.S. OBJECTIVES

Increasing the participation in Afghanistan's economic development by the international organizations may offer an acceptable alternative to U.S. bilateral economic assistance in attaining U.S. foreign policy objectives in Afghanistan. The United States has provided bilateral economic assistance to Afghanistan as an alternative to U.S.S.R. assistance for nearly 20 years. As an instrument of U.S. foreign policy, the economic assistance program has been directed toward both short-term U.S. political objectives and long-term economic development objectives. (~~CONFIDENTIAL~~)

U.S. economic assistance used to compete with U.S.S.R. efforts and to further U.S. influence in Afghanistan, however, has not benefited Afghanistan's economic development as much as it could have if economic development had been the program's prime objective. In our opinion, the United States-U.S.S.R. competition in Afghanistan also has allowed the country to (1) continue to rely on foreign assistance for development, (2) avoid the allocation of more of its own resources for development, and (3) delay implementation of policies more conducive to economic growth.

(~~CONFIDENTIAL~~)

The shifting emphasis of U.S. foreign aid appropriations toward multilateral assistance and the growing support for internationally led economic development assistance¹

(UNCLASSIFIED)

¹ Following are two of the major studies which emphasize the role of international organizations in future economic development assistance.

--U.S. Foreign Assistance in the 1970's: A New approach (Report to the President from the Task Force on International Development, March 4, 1970).
(UNCLASSIFIED)

--Partners in Development (Report of the Commission on International Development, September 15, 1969).
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afford the United States an opportunity to consider a time-phased retrenchment of its bilateral economic assistance program as the international organizations display the ability and willingness to provide sufficient development assistance for economic growth. Development assistance administered by international organizations can be directed toward improvement of managerial, social, and technical aspects of development without regard to the political motivations inherent in the U.S. bilateral economic assistance program.

MULTILATERAL VERSUS BILATERAL ECONOMIC ASSISTANCE

There are advantages, disadvantages, and elements of uncertainty in phasing down the U.S. bilateral assistance program in Afghanistan as the international organizations show the ability and willingness to provide sufficient development assistance for economic growth. An advantage of the multilateral approach is that international organizations can insist on measures being taken by the recipient country without incurring certain political disadvantages and problems resulting from urgings of the United States or other bilateral donors.

The multilateral approach also ensures burden sharing, reduces political friction caused by bilateral aid, and permits use of fewer U.S. personnel. Furthermore Afghanistan may allow the international organizations to take a more active role in assisting in formulating its economic development policies. Early indications are encouraging in this regard, since IBRD is to assist in reorganizing and managing Afghanistan's Agricultural Development Bank.

International organization assistance is gaining impetus in Afghanistan; it increased from a total of \$9.7 million in the 1949-62 period to \$37.8 million in fiscal years 1963-69. The programs show further signs of increases. IDA provided \$5 million for agricultural credit in fiscal year 1970, and the U.N. currently is performing four preinvestment surveys that may lead to loans by IDA of \$12 million to \$17 million in the next 2 years. Furthermore IDA seems prepared to loan \$15 million to \$20 million a year to Afghanistan on soft terms.

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The U.N. has its fifth largest number of specialists rendering technical assistance and one of its largest preinvestment study programs in Afghanistan. The U.N. program should continue at least at the present level of about \$4 million to \$5 million. (UNCLASSIFIED)

IBRD and IMF have made selected economic studies on Afghanistan, and both have established resident representatives in the country. The Department of State told us in March 1971, however, that, because of the slowness of implementation of IBRD projects, IBRD officials expected disbursements of IBRD loans to remain well below projected availabilities for the next 3 or 4 years. The Asian Development Bank also has shown interest in assisting in Afghanistan's economic development and currently is performing a study of the agriculture sector. (SECRET)

The U.S. Ambassador to Afghanistan told us in August 1970 that he fully realized the usefulness of international organizations, as well as the exigencies of the U.S. "low posture," which frequently makes it desirable for the U.S. input to be less in evidence. He pointed out, however, certain advantages to the U.S. bilateral assistance program and stated that the replacement of U.S. programs by multilateral programs should not be too rapid and that U.S. policy would best be served by a suitable blend of the two types of assistance. As concerns the political importance of the AID program, the Ambassador said that:

(CONFIDENTIAL)

"As stated in the NSC paper, our program in Afghanistan has important political reasons, i.e., to help the Afghans not to be solely or overwhelmingly dependent on the USSR. The RGA welcomes and urges this reasoning and our influence here is therefore appreciable. To turn over too large a portion of our program to international agencies would deprive the RGA of this essential balancing factor as international agencies are obviously not in a position to fulfill a political balancing role. At the same time it would deprive us of much influence thus leaving the USSR--which has

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shown no inclination to multilateralization--in an overwhelming position, the very situation which both the RGA and the U.S. Government wish to avoid." (~~CONFIDENTIAL~~)

The Department of State and AID on several occasions have studied in depth the question of measuring the relative cost effectiveness of multilateral and bilateral aid programs but have not been able to reach any definitive conclusion. The major difficulty is that truly comparable projects in terms of magnitude, objectives, timing, and environment are not available. (UNCLASSIFIED)

The Ambassador, however, expressed serious reservations about the effectiveness of multilateral aid in Afghanistan during our discussions with him in August 1970. The reservations were directed at the U.N. programs and did not extend to IBRD and its affiliates or to IMF which he considered effective and under strong American leadership. In regard to the U.N. programs in Afghanistan, however, we noted that Mission evaluations in 1969 and 1970 indicated that improvements had been made in the program. With a few exceptions U.N. assistance programs and projects were compatible with country and Mission priorities, were being implemented satisfactorily, and did not overlap with aid from other donors. (~~CONFIDENTIAL~~)

We recognize the need to improve both the administration of U.S. financial participation in the U.N. agencies and the effectiveness and efficiency of U.N. programs of economic assistance. Our reports to the Congress¹ have
(UNCLASSIFIED)

¹United States Participation in the International Labor Organization Not Effectively Managed, Departments of State, Labor, and Commerce (B-168767, December 22, 1970).

Management Improvements Needed in U.S. Financial Participation in the United Nations Development Program, Department of State (B-168767, March 18, 1970).

U.S. Financial Participation in the Food and Agriculture Organization of the United Nations, Departments of State and Agriculture (B-167598, November 17, 1969).

U.S. Financial Participation in the United Nations Children's Fund, Department of State (B-166780, July 8, 1969).

U.S. Participation in the World Health Organization, Departments of State and Health, Education, and Welfare (B-164031-2, January 9, 1969).
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discussed some of the problems in U.N. programs and have pointed out opportunities for improvement in the management of U.S. financial participation in these organizations to improve their effectiveness in contributing to U.N. objectives. Further a recent study of the U.N. Development Program,¹ the largest single source of financing developmental assistance in the U.N., underscored what needs to be done to improve the managerial capacity of the U.N. Development Program.

The Jackson study stressed the need to accord more authority and to provide management tools to the U.N. Development Program so that it could serve as the overall coordinator of the entire effort of the U.N. system in economic development and could provide direction to the efforts of the various U.N. specialized agencies that operate in this field. In congressional testimony in August 1970, the Secretary of State said that good progress has been made in achieving consensus among member governments in support of the reforms considered essential and that effort now would be directed to their prompt implementation.

¹A Study of the Capacity of the United Nations Development System, Sir Robert Jackson, dated November 1969.

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CHAPTER 7

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CONCLUSIONS AND AGENCY COMMENTS

CONCLUSIONS

U.S. economic assistance is considered an important instrument in attaining the U.S. foreign policy objective of an independent and nonaligned Afghanistan, willing and able to limit U.S.S.R. influence in Afghan affairs. Any evaluation of U.S. programs, in terms of this foreign policy objective, must be subjective. One of the factors which must be taken into account is the imponderable factor of whether Afghanistan would be independent and would maintain a neutral stance had the United States not provided economic assistance as an alternative to U.S.S.R. assistance. Nevertheless, according to U.S. officials, the U.S. objective has been maintained without a U.S. military commitment.

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Afghanistan remains one of the poorest countries in the world. The per capita gross national product of \$66 for 1969; an estimated 10-percent literacy rate; the lack of self-sufficiency in food needs; and primitive internal systems of transportation, power, communications, finance, and other institutions required for economic development point toward a continuing need for assistance. We believe that more progress could have been made in the past had assistance been concentrated more on economic development than on extending political influence in the country.

(UNCLASSIFIED)

An international organization noted in January 1971 that most foreign donors were particularly interested in large, identifiable, visible projects which were not necessarily the most worthwhile and that a large proportion of project investment therefore had returned only minimal benefits to the economy. We also believe that Afghanistan's low contribution to its own development stems, in part, from the United States-U.S.S.R. political strivings which

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enabled economic aid to be granted without sufficient demonstrated effort by the country to follow policies conducive to economic growth. (UNCLASSIFIED)

Better coordination among all donors working in Afghanistan also could have furthered progress. Afghanistan receives economic assistance from many donor countries and international organizations, but they have not yet provided a framework of coordination for the development of a common assistance strategy and common policies. We believe that the problem of coordination is perhaps more acute in Afghanistan than in other developing countries because of the particular mix of East-West economic assistance with differing views on economic policies and differing motivations for providing such aid. The U.N. currently is taking some steps toward improving coordination, but prospects for early implementation of improved procedures are not good.

~~(CONFIDENTIAL)~~

It is our view that the economic development of Afghanistan probably would have a better chance of success if the multiple donors channeled their assistance resources through international organizations providing unified planning, management, and coordination with RGA. It is possible that, in time, total aid through international organizations will be increased, at least from contributions of the free-world governments, and that the U.S. political objective of Afghanistan independence and neutrality will be furthered through U.N. efforts to assist in economic development of Afghanistan. ~~(CONFIDENTIAL)~~

We also believe that the United States' future participation in Afghanistan's economic development should increasingly encourage private investment in Afghanistan and the expansion of trade with the West. U.S. private investment would provide employment opportunities, would upgrade labor and management skills, and would provide wider participation in the benefits of development. Increased trade between Afghanistan and the West would strengthen economic ties and thus would tend to counter any threat of Afghanistan's economic domination by the U.S.S.R. and other

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Communist-bloc countries. U.S.S.R.-tied aid and the geographic closeness of the two countries make for natural trading partners and limit the broadening of economic ties with the West through trade. Nevertheless Afghanistan is seeking ways to increase trade with the West.

~~(CONFIDENTIAL)~~

On balance, we believe that the increasing interest and programs of the international organizations in Afghanistan's economic development merit continued encouragement. We recognize that the speed and timing of a retrenchment of the AID-administered program will depend on the further anticipated increases in the international organization programs. The phaseout or completion of funding, however, for some of AID's projects in fiscal year 1973 could be the starting point for such retrenchment. (UNCLASSIFIED)

We suggested that the Secretary of State, in conjunction with the AID Administrator, continue to encourage multilateral aid to Afghanistan to the extent that U.S. objectives can be achieved more effectively. We are not questioning the merits of the U.S. foreign policy objective concerning Afghanistan. We believe, however, that the multilateral approach outlined above offers the United States an opportunity to consider a time-phased retrenchment of its bilateral economic assistance programs as the international organizations display the ability and willingness to provide additional development assistance for economic growth. (UNCLASSIFIED)

We suggested also that the U.S. Ambassador and members of his Country Team in Afghanistan intensify their efforts to provide a framework for coordination of U.S. programs with those of the various other donors, to further influence essential self-help requirements in Afghanistan. (UNCLASSIFIED)

AGENCY COMMENTS

By letter dated March 23, 1971, the Department of State advised us that it accepted our suggestions as a

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reasonable approach to U.S. future aid policy in Afghanistan. The Department stated that it was encouraging, and would continue to encourage, assistance to Afghanistan by the U.N. and by IBRD and that the Department had intensified its efforts to improve coordination of major donor assistance efforts in Afghanistan. ~~(SECRET)~~

The Department pointed out, however, that there were certain foreign policy constraints on the retrenchment of our bilateral aid program in Afghanistan. The Department commented that Afghan officials regarded U.S. economic assistance as an affirmation of political support for Afghan independence and had indicated clearly that they would consider a major reduction of our aid presence as, in effect, abandoning them to overwhelming U.S.S.R. influence. ~~(SECRET)~~

The Department said that it agreed that increasing private investment and trade were desirable eventual alternatives to aid but that practical limitations should be recognized. The Department said also that it believed it to be unrealistic to suggest that private U.S. investments in the near future could reach such a magnitude to make a meaningful impact. AID commented on May 6, 1971, that the objectives of increasing private investment and trade were highly desirable but mentioned obstacles to their attainment, including the lack of credit, established credit institutions, and logistical support for industry. ~~(SECRET)~~

AID commented also that it was in substantial accord with our suggestions but differed primarily with respect to timing, degree, and emphasis. AID said that it believed that a greater initiative and share of the burden should be undertaken by international organizations but that bilateral as well as multilateral programs would continue to be needed. AID also is supporting U.N. initiatives to develop a programming approach whereby all foreign contributions will be matched against Afghanistan's development requirements and support capabilities on the basis of their priority. ~~(CONFIDENTIAL)~~

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APPENDIXES

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SUMMARY OF U.S. ECONOMIC ASSISTANCE TO AFGHANISTAN DOLLAR ASSISTANCE--GRANTS AND LOANS (EXCLUDES PUB. L. 480)

<u>Fields of activity</u>	<u>1950-54</u> (5 years)		<u>1955-59</u> (5 years)	
	<u>Amount</u> (millions)	<u>Per-</u> <u>cent</u>	<u>Amount</u> (millions)	<u>Per-</u> <u>cent</u>
TRANSPORTATION:				
Grants	\$ -	-	\$49.5	66.1
Loans	-	-	7.6	10.2
HELMAND-ARGHANDAB VALLEY:				
Grants	39.6	95.1	7.3	9.7
Loans	39.5	95.0	2.4	3.2
EDUCATION GRANTS	.5	1.2	7.2	9.6
GOVERNMENT MANAGEMENT AND ECONOMIC PLANNING:				
Grants	-	-	4.3	5.7
Loans	-	-	-	-
AGRICULTURE:				
Grants	1.0	2.4	1.5	2.0
Loans	-	-	-	-
INDUSTRY AND MINING:				
Grants	.2	.5	1.1	1.5
Loans	-	-	.7	.9
OTHER GRANTS	<u>.3</u>	<u>.8</u>	<u>4.0</u>	<u>5.4</u>
Total grants	<u>\$41.6</u>	<u>100.0</u>	<u>\$74.9</u>	<u>100.0</u>
Total loans	<u>\$39.5</u>	<u>95.0</u>	<u>\$10.7</u>	<u>14.3</u>

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1960-64 (5 years)		1965-69 (5 years)		Total (20 years)	
<u>Amount</u> (millions)	<u>Per-</u> <u>cent</u>	<u>Amount</u> (millions)	<u>Per-</u> <u>cent</u>	<u>Amount</u> (millions)	<u>Per-</u> <u>cent</u>
\$46.9	49.4	\$13.2	18.6	\$109.6	38.8
4.5	4.7	8.7	12.2	20.8	7.4
8.9	9.4	22.5	31.6	78.3	27.7
-	-	17.4	24.5	59.3	21.0
17.6	18.5	12.2	17.2	37.5	13.3
3.9	4.1	4.6	6.5	12.8	4.5
-	-	.4	.6	.4	.2
2.7	2.8	7.1	10.0	12.3	4.4
-	-	2.6	3.7	2.6	.9
1.4	1.5	1.0	1.4	3.7	1.3
-	-	-	-	.7	.2
<u>13.6</u>	<u>14.3</u>	<u>10.5</u>	<u>14.7</u>	<u>28.4</u>	<u>10.0</u>
<u>\$95.0</u>	<u>100.0</u>	<u>\$71.1</u>	<u>100.0</u>	<u>\$282.6</u>	<u>100.0</u>
<u>\$ 4.5</u>	<u>4.7</u>	<u>\$29.1</u>	<u>41.0</u>	<u>83.8</u>	<u>29.7</u>

~~CONFIDENTIAL~~ UNCLASSIFIEDSUPPLEMENTAL INFORMATION ON
U.S. ECONOMIC ASSISTANCE PROGRAMS IN AFGHANISTAN

This appendix includes detailed information on the U.S. assistance efforts in Afghanistan as administered by AID. The segments presented include transportation, agriculture, education, population and family planning, and mobilization and use of resources. (UNCLASSIFIED)

TRANSPORTATION

The U.S. role in development of transportation in Afghanistan, although currently minimal, was very substantial late in the 1950's and early in the 1960's, when a spirit of project-by-project competition with the U.S.S.R. seemingly characterized U.S. economic assistance program efforts. During that earlier period, when external assistance was mainly from the United States and the U.S.S.R., significant advances occurred in the development of Afghanistan's transportation system. The political competition of the time, however, was a factor in the U.S. decision to finance a large air transportation project. ~~(CONFIDENTIAL)~~

AID's assistance to Afghanistan transportation has been concentrated on two major goals--an improved highway system and an improved air transportation system. It is significant to note that the U.S.S.R. also has played a heavy role in striving toward these same two goals. Thus the stage was set for direct competition to see which of the two countries could create the more favorable impact on Afghanistan. ~~(CONFIDENTIAL)~~

The highways financed by AID connect major cities in Afghanistan and provide links with Iran and Pakistan; therefore, we believe that they were logical choices on the part of AID. In the case of air transportation, however, the construction of an international airport at Kandahar was not economically justifiable. (UNCLASSIFIED)

We found that RGA had not, of its own volition, demonstrated an ability or a willingness to adequately maintain ~~(CONFIDENTIAL)~~

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AID-financed roads. This may have resulted, in part, from a lack of complete and timely understanding between AID and RGA of expectations in this regard. As a consequence AID provided grant assistance between 1965 and 1969, to develop maintenance capabilities within RGA. Since phaseout of this AID effort, maintenance of AID-financed highways has been assisted by a \$5 million loan from IBRD and by a grant of approximately \$1.2 million from the U.N. Development Program. We observed that AID had been active in encouraging RGA to seek further assistance from these multilateral agencies. (~~CONFIDENTIAL~~)

Afghanistan is a landlocked country which always has lacked both adequate surface transportation facilities within the country and adequate transportation links with its neighbors. The country has no railroads and very few navigable waterways. Until the 1950's Afghanistan was dependent primarily on compacted-dirt roads for internal traffic. Highways constructed in recent years are now an important element in Afghanistan's transportation system, and air transportation also has become important for both internal and international traffic. However, a large amount of traffic in Afghanistan still is carried by camels, donkeys, and horses on caravan routes and more and better secondary roads still are needed. (UNCLASSIFIED)

A large investment in transportation development by RGA and outside donors late in the 1950's and 1960's resulted in considerable improvement in Afghanistan's transportation system. According to various AID sources, however, a considerable degree of improvement still could be made. (UNCLASSIFIED)

Of the total U.S. assistance provided to Afghanistan, the largest amount has been for transportation development. Appendix I shows the total assistance provided to Afghanistan by the United States for transportation development by 5-year periods between 1955 and 1969. As shown in the appendix, U.S. assistance to Afghanistan for transportation decreased over the years as primary objectives were accomplished and as transportation problems were assigned a lower priority. (UNCLASSIFIED)

Major highway projects financed by the United States are shown in the following table. Of the total U.S. financing (UNCLASSIFIED)

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of \$64.5 million, grants were used to provide \$56.1 million for the first three highways and, in part, for the fourth. (UNCLASSIFIED)

<u>Cities connected</u>	<u>Construction years</u>	<u>Length in kilometers</u>	<u>Financing</u>	
			<u>AID</u>	<u>RGA (note a)</u>
			(millions)	
Kabul and Torkham Kandahar and Spin	1959 to 1961	238	\$ 6.8	\$2.4
Baldak	1960 to 1962	112	3.8	-
Kabul and Kandahar	1961 to 1966	482	44.6	2.7
Herat and Islam Qala	1966 and 1967	<u>123</u>	<u>9.3</u>	<u>.9</u>
Total		<u>955</u>	<u>\$64.5</u>	<u>\$6.0</u>

(UNCLASSIFIED)

^a RGA financing was in Afghanis but is expressed here in equivalent dollars. (UNCLASSIFIED)

As shown on the map on page 8, these highways connect important cities in Afghanistan, including the two largest--Kabul and Kandahar. (UNCLASSIFIED)

Shortly after completion of construction of the first U.S.-financed highway in 1961, AID officials recognized that there were inadequacies in RGA's effort to maintain the highway. Unlike the U.S.S.R. which had included maintenance provisions in its loans for highway construction, the United States did not make maintenance provisions a part of its initial grant agreements. (UNCLASSIFIED)

When AID's loan for the Herat-Islam Qala road was being negotiated in 1962, questions arose regarding inadequacies in RGA's highway maintenance efforts. When a proposal was made within AID to increase the Herat-Islam Qala loan to include maintenance financing, the proposal was rejected by AID officials because RGA had not been informed sufficiently early for such an action to be politically acceptable. Instead, AID required, as a condition precedent to the loan,

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jets negated the need for such a stop. As indicated by the U.S. Ambassador in February 1956, however, the overriding motivation for the decision was political. In our opinion, the current low utilization of the Kandahar airport evidences the fact that, from an economic viewpoint, the decision was unsound. (~~CONFIDENTIAL~~)

The only current involvement of AID in transportation development in Afghanistan is technical advice provided to RGA and to certain multilateral agencies when those agencies are considering financing projects. This advice relates to highway maintenance and air transportation issues. In regard to the latter, multilateral agencies at the time of our review had at least two projects under consideration--certain improvements to the Kabul airport and the construction of several domestic airports. In fiscal year 1969 the U.S. Export-Import Bank loaned Afghanistan \$2.3 million to finance a jet aircraft for Ariana Afghan Airways Company, Ltd. (UNCLASSIFIED)

~~CONFIDENTIAL~~ UNCLASSIFIEDAGRICULTURE

The United States and other donors, particularly the U.S.S.R., have contributed large sums of money for development of the agriculture sector, the most important sector of Afghanistan's economy. There is not much doubt that political factors have influenced U.S. decisions and that fund allocations have not been based on a systematic review of all agricultural needs. It seems that a large part of U.S.S.R. assistance also has not served Afghanistan's best economic interests, although U.S.S.R. motivations in this regard are not clear. An international organization study indicated that certain United States and U.S.S.R. projects in this sector apparently had been dictated by strategic considerations. The agriculture sector also is beset with such traditional problems as resistance to changes, primitive cultivation methods, a lack of organizational skills and modern institutions, and a lack of water and suitable land. All these factors indicate that Afghanistan will continue to need assistance to spur agricultural production so that it will meet the food needs of the people and will increase export earnings. (~~CONFIDENTIAL~~)

The increasing interest of the international and regional banking organizations and of the U.N. holds promise of greater future progress in the agriculture sector because their attention will focus on the agricultural needs and will not be influenced by the type of political consideration inherent in bilateral programs; i.e., foreign policy bias or ideological constraints. (~~CONFIDENTIAL~~)

Agriculture supports about 85 percent of the population and accounts for about 50 percent of the gross domestic product and 85 percent of the export earnings. Food grains--such as wheat, barley, rice, and corn--account for 90 percent of the crop area; the balance is planted with cotton, sugar beets, sugar cane, oil seeds, and fruit. Production, however, is relatively stagnant and subsistence oriented. (UNCLASSIFIED)

Although reliable statistics on production and population are not available, it generally has been reported that Afghanistan is not self-sufficient in the basic food grains, (UNCLASSIFIED)

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especially wheat. U.S. officials estimated that wheat deficits averaged 256,000 tons a year from 1962 through 1969. The United States and other donors have responded to these deficits by providing food aid; the United States provided the aid under Public Law 480.

Through fiscal year 1969 U.S. economic assistance, including Export-Import Bank loans related to the agricultural sector, totaled about \$89 million. This included about \$77 million for projects in the Helmand-Arghandab Valley and about \$12 million for general agricultural development. The U.S.-assisted projects follow.

	Amount (millions)
Technical assistance grants:	
National agriculture development	\$ 9.5
Helmand-Arghandab Valley regional development	16.6
Helmand Valley electric power	<u>3.2</u>
	<u>29.3</u>
Development loans:	
Helmand-Arghandab equipment loan (Shamalan development)	4.6
Kajakai hydroelectric power	12.0
Kandahar diesel generators	.8
Commodity financing	2.5
Helmand Valley electric power commodities	<u>.4</u>
	<u>20.3</u>
Export-Import Bank loans for Helmand-Arghandab Valley development	<u>39.5</u>
Total	<u>\$89.1^a</u>

^a Does not include funds generated from Public Law 480 assistance.

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APPENDIX II

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Other donor countries and international organizations have provided assistance in cotton production, dairy programs, and reforestation and irrigation projects.

(UNCLASSIFIED)

The Helmand-Arghandab Valley is one of several regional development projects in Afghanistan; the others are sponsored by the U.S.S.R. and the Federal Republic of Germany. The U.S.S.R. regional development project in the Nangarhar Valley is estimated to cost the equivalent of about \$50 million, ranking second to the U.S.-assisted Helmand-Arghandab Valley project. The two projects are similar in that they involve the development of relatively small geographic areas which do not contribute heavily to total agricultural output. Although over the past two decades the Helmand-Arghandab Valley has absorbed more than a third of Afghanistan's total public investment in agriculture, it currently produces about 10 percent of the total agricultural output, according to a responsible Mission official. (UNCLASSIFIED)

Whereas U.S.S.R. motivations in the Nangarhar project are not clear, the United States' continued involvement in the Helmand-Arghandab Valley has become heavily influenced by the U.S. concern to find some practical compromise solution since U.S. prestige had become associated with the valley over the years. ~~(CONFIDENTIAL)~~

Helmand-Arghandab Valley project

Although the development of the Helmand-Arghandab Valley began without U.S. assistance, the United States became identified with the valley through RGA-financed American contractors in 1946, Export-Import Bank loans in 1949 and 1954, and AID and its predecessor agencies' assistance from 1952. A responsible U.S. official has stated that the development of the valley is an example of overambitious goals set by RGA. ~~(CONFIDENTIAL)~~

The United States continues to devote a large share of its agricultural assistance efforts to that area while placing less emphasis and priority in the more productive areas of the country. The continued concentration of efforts in the valley has been partly justified by AID on the basis of ~~(CONFIDENTIAL)~~

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a need to bring about some success from the efforts, to maintain the U.S. image that has been developed through U.S. involvement in the project since the early stages. An AID assessment in April 1967 stated that: ~~(CONFIDENTIAL)~~

"No other feature of Afghan life is as significantly identified with America as is this project. If it should not succeed, this fact is likely to overshadow any other contribution the U.S. may make to Afghan development, and significantly weaken our position. Failure would suggest to the Afghans either a deterioration in U.S.-Afghan relations or ineffectiveness of Western technology methods, or both. On the other hand, success could serve as a continuing demonstration that the Western system provides a sound formula for development."
~~(CONFIDENTIAL)~~

Various studies of U.S. efforts in the Helmand-Arghandab Valley have questioned whether the benefits have been commensurate with the amount of money expended. The Mission recently reported that agricultural production in the valley was increasing steadily. ~~(CONFIDENTIAL)~~

Shamalan development

In an effort to revitalize valley development, in May 1968 AID loaned RGA \$4.6 million to help carry out a land betterment program in the Shamalan district of the valley. The loan was to finance the foreign-exchange costs of rehabilitating inoperable earth-moving construction and related equipment; procuring new equipment, spare parts, materials, and supplies; and furnishing the supervisory and training services. (UNCLASSIFIED)

AID's justification for the loan emphasized the need for proper land preparation, irrigation, and drainage to increase agricultural production in the valley. It pointed out that the storage dams, reservoirs, main canals, and main drains constructed earlier provided the foundations for an adequate irrigation system and that the work that remained to be done consisted of leveling land and constructing lateral canals and drains. The loan was to provide the funds for equipment, materials, supplies, and services
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needed to carry out the remaining development of 31,000 acres in the Shamalan area. AID auditors stated in December 1968 that they viewed the loan as highly marginal because results achieved in the valley had not been commensurate with funds previously invested in its development.

The Mission has expended considerable time and effort in attempts to implement the 1968 loan for land betterment in the Shamalan area without success. The resolution of legal, socioeconomic, and political problems has proved to be far more difficult than originally envisioned. Although AID-financed studies showed a favorable cost-benefit ratio on the increment of investment needed, the loan apparently was entered into without an adequate assessment of RGA's ability to take the actions required to make the project a success. At the time of our review, a responsible Mission official referred to the recent appointment of a more active president of the Helmand-Arghandab Valley Authority as offering renewed hope for implementation of the Shamalan project.

In May 1971 AID stated that the Mission's time and effort had begun to produce results. AID mentioned that such actions as the amendment of the water law and the signing of a construction contract had moved the project forward.

Valley power projects

AID also has financed projects to increase electric power production and distribution in the valley, to support agricultural and agroindustrial growth. The most recent AID loan was authorized in May 1968 for \$12 million to finance the cost of constructing the Kajakai hydroelectric power plant and of providing technical, supervisory, and training services for the plant and related Afghan electric authorities.

There has been a lengthy delay in loan implementation due to administrative problems within RGA. Apparently due to this delay, the estimated costs of construction have increased. AID declined to provide additional financing, and in July 1970 RGA asked the Asian Development Bank, a regional banking organization, for a loan of \$3 million. AID stated

in May 1971 that RGA had agreed to provide the foreign exchange required to implement the project if the Asian Development Bank did not approve the loan.

National agriculture development project

Besides the Helmand-Arghandab Valley development projects, technical assistance in agriculture has been provided by AID and its predecessor agencies, primarily under the national agriculture development project begun in 1952. Earlier project activities included livestock, poultry, forestry, horticulture, vegetables, dairying, range management, plant protection, general agriculture, and irrigation.

In 1966 AID recognized that a sharper focus was needed in its agricultural assistance efforts. Under a project agreement in June 1966, AID embarked on assistance to the accelerated wheat improvement program drawn up by RGA. The program has emphasized the use of fertilizer and improved seeds. U.S. technicians have concentrated on improving RGA's proficiency in adaptive research, transferring information to cultivators, and providing the production inputs necessary to maximize the effectiveness of technical knowledge through practical application by cultivators. On the basis of progress made, the Mission expects the goal of self-sufficiency in wheat to be achieved in 1972. The Mission reported in early 1970 that the research and extension efforts had been successful to date in that prominent farmers had begun to use improved seeds and to demand increased quantities of fertilizer.

According to an international organization, obstacles to meeting this goal of self-sufficiency in wheat by 1972 and to encouraging general agricultural growth include an ineffective price support program for wheat, RGA reluctance to let the private sector distribute fertilizer despite U.S. encouragement, and administrative bottlenecks within RGA. Agricultural production is vulnerable to drought conditions, as demonstrated by a 1970 wheat harvest that was much lower than that of the previous year.

Multilateral aid interests

International organizations are taking a more active interest in agricultural development with apparent RGA cooperation and support.

RGA has asked the Asian Development Bank to conduct an in-depth, policy-oriented analysis of the agriculture sector. AID stated in May 1971 that future assistance to Afghanistan's agriculture sector would be based on the results of this study.

The U.N. Food and Agriculture Organization has carried out projects in irrigation and water development schemes, has provided assistance in agriculture extension and credit, and has sent a team of veterinary and livestock specialists to Afghanistan. IDA authorized a \$5 million loan for agriculture credit in fiscal year 1970, and the Agriculture Bank of Afghanistan is being reorganized under IBRD management with U.N. Development Program funds. The Asian Development Bank also may assist in the agriculture sector in the future.

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EDUCATION

Afghanistan, starting from a very low base, has made important advances in education. Improvements have been made in the literacy rate, percentage of primary-school-age children in school, and educational quality, but much room for additional progress remains. Despite the overall growth in the school system, there are indications of imbalanced growth between primary and secondary education. A start has been made in obtaining meaningful statistics on the country's manpower needs, but this problem continues to affect attempts to design an appropriate educational system.

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The United States is the most important contributor, but other countries, notably the U.S.S.R., have shown increasing interest in assisting the sector. During the period of more intense United States-U.S.S.R. competition, AID wanted to minimize U.S.S.R. influence in Afghanistan's educational system. The U.S.S.R., however, has made inroads, and questions of overlap and duplication between the two assistance efforts have arisen, even though U.S.S.R. assistance generally is not directed toward the same educational aspects as United States assistance. ~~(CONFIDENTIAL)~~

AID's decisions as to which educational projects it should support have contained a degree of subjectivity for several reasons. We were informed by an AID official that, although many legitimate needs existed, AID did not have an objective method to compare cost-benefit ratios for proposed projects. Moreover AID's influence in education has been affected, to some extent, by the fact that other foreign donors are providing assistance to Afghanistan.

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Almost all AID's current educational projects are scheduled to be phased out by 1973. In our opinion, these projects have contributed to improvement in Afghanistan education even though problems have been encountered which have reduced the benefits that otherwise may have been obtained. It remains uncertain, however, whether RGA will have the ability or will to provide the necessary momentum for

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continuing the educational development after AID's projects phase out. It seems likely that additional assistance to education will be necessary for some time.

Under these circumstances AID has an opportunity to consider the merits of further encouraging an increase in the use of multilateral forms of assistance rather than initiating new AID projects. Although the Ambassador and Mission officials told us that there were strong arguments against multilateral aid in the education sector because of philosophical differences, we believe that at least certain segments of education--e.g., agriculture--might be susceptible to this approach. We noted that the U.N. already was involved in an educational effort previously financed by AID.

The foundations for the present educational system in Afghanistan were laid when the first formal school was established in 1904. Education is provided through a centrally controlled school system arranged according to primary, middle, and high school levels. Kabul University, Afghanistan's only university, is autonomous. Supplementing the formal educational system are vocational schools on the middle and high school levels.

RGA regards education as an important instrument for promoting the country's economic and technical development and the national welfare in general. National unity is stressed and ethnic differences are deemphasized in official statements on education, but the distribution of school facilities and the policies governing scholarship grants tend to favor the dominant Pushtun group.

Education expenditures from the RGA ordinary budget increased from about 9 percent of the budget in the first 5-year plan to 16 percent in the third 5-year plan--1967 through 1972. Educational expenditures from the RGA development budget, heavily supported by foreign assistance, also were large during this 15-year period.

The number of schools in Afghanistan increased from 804 in 1957 to 3,257 in 1969, and the number of students increased from 126,000 to 605,000, respectively. The literacy

rate increased from an estimated 6 percent in 1947 to about 10 percent currently.

Despite the relatively large increase in student population, only about 20 percent of the primary-school-age population were enrolled in primary grades in 1969, and student attrition has been a serious problem. About 5.5 percent of the secondary-school-age population were in school in 1969, although secondary school enrollment is growing much faster than primary school enrollment.

The Mission has identified several limiting factors which RGA faces in its effort to upgrade education throughout the country. They include limited RGA finances, a shortage of professionally trained teachers, a shortage of adequate buildings for a modern school program, and a need for textbooks and other teaching materials.

In March 1969 the RGA Ministry of Education issued a report on manpower and education in Afghanistan. Various RGA ministries; foreign advisers, including the Mission; and consultants participated in the development of the report. The report recognized the unavailability of adequate data; however, tentative conclusions were reached and a number of recommendations were made.

The study group concluded that a serious imbalance in the school system was developing as a result of the exceedingly fast development rate of secondary and higher education compared with the slower development rate of primary education. To remedy the situation, the group suggested that measures be taken to further restrict admission into secondary and higher level institutions and that primary education be strengthened.

The RGA study also pointed out that a surplus of vocational school graduates in certain specialties had arisen, whereas there were shortages in other skills. In addition, the study reported that the conditions of vocational education normally did not correspond to those found on the job and that considerable time passed before graduates were fully productive.

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With respect to engineering graduates from Kabul University, in May 1968 AID stated that, at the present rate of expansion, the future output of engineers combined with the output of the U.S.S.R.-supported Polytechnic Institute might exceed the requirements of Afghanistan for graduate engineers. Therefore AID recommended that the target of enrollment be lowered from 500 to 400. The March 1969 RGA report on manpower and education referred to the possibility that, within 10 years, the output of engineers from the two training institutions might be higher than the absorptive capacity of the country.

Certain political, cultural, and social factors also appear to impede all educational improvement efforts in Afghanistan. For example, in its field submission for fiscal year 1972, the Mission reported that student unrest and a revolt of mullahs (Moslem leaders generally opposed to modernization) had caused RGA to be particularly cautious in taking firm positions on educational problems. In 1969 the RGA Parliament responded to student demands by recommending the lowering of admission requirements to enter Kabul University. The unfortunate long-range effect of this may be overcrowding at the university and a lowered quality of education.

U.S. assistance for education in Afghanistan has represented about 13 percent of total U.S. aid to Afghanistan through 1969. AID has stated that the U.S. objective in education in Afghanistan is to assist the Afghans in developing an educational system dedicated to producing a new generation having skills, attitudes, and values required in a more dynamic and modernizing environment.

The AID educational effort in Afghanistan has not been directed specifically toward expanding the literacy rate but has been concerned with institutional development which in time should enable RGA itself to attack educational problems. U.S. assistance in education has been directed toward the college level on the theory that leadership training will have a multiplier effect and that the skills developed will filter down into the country's educational system.

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Following is a summary of current AID education projects.

<u>Project</u>	<u>Year started</u>	<u>Year planned completion</u>	<u>AID cost</u>	
			<u>Obligated through fiscal year 1970</u>	<u>Total estimated</u>
			(millions)	
Elementary and secondary education	1954	1976	\$14.3	\$16.3
Agriculture education	1954	1973	5.5	6.3
Technical education:				
Faculty of engineering	1962	1973	12.1	13.5
Afghanistan Institute of Technology	1965	1972	-	-
Kabul University, central administration	1966	1973	<u>1.1</u>	<u>1.6</u>
Total			<u>\$33.0</u>	<u>\$37.7</u>

Two of these projects--elementary and secondary education and agriculture education--are discussed on pages 68 to 70.

In 1968 an AID official expressed the view that AID's educational efforts in Afghanistan represented the United States' greatest success and greatest failure--success in that education appeared to have been the best counter to the more massive U.S.S.R. assistance and therefore the best influence on substantial portions of the Afghan elite but failure in that 15 years of human and financial investment had left Afghan education unable to generate progress by itself. In the same year the Mission expressed concern that some of the AID-financed projects might not survive the transition period after termination of assistance without AID monitoring, contact, and planning assistance.

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The Mission, in its field submission for fiscal year 1972, recommended future AID assistance in the development of education in Afghanistan as follows: (UNCLASSIFIED)

- "1. A flexible long-range program of continued American contribution to the University should be developed. This should provide for exchange of faculty with American institutions, a few resident resource people, and participant training for junior faculty in accordance with a master plan for Kabul University. [UNCLASSIFIED]
- "2. Assistance to the Curriculum and Textbook Project should be continued and increased as Afghan efforts are increased and as needed to hasten the use of the new materials in the classroom. [UNCLASSIFIED]
- "3. We continue to be ready to assist the Minister analyze his needs for modernization in secondary education and the management of the ministry when he desires such help. [UNCLASSIFIED]
- "4. There are indications of interest among some Ministry of Education officials to introduce population/family planning (guidance) information into certain areas of the education system, which we are encouraging. [UNCLASSIFIED]
- "5. Some aspects of English language training are faltering despite major Afghan interest, and we may be proposing further USAID assistance in this area."
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As of August 1970 the Mission envisioned only two specific projects which were planned to continue beyond fiscal year 1973. One was the ongoing curriculum and textbook activity discussed on page 70. The other project, under consideration but not formally proposed in August 1970, was an umbrella-type project to assist Kabul University, including central administration and various faculties. A responsible Mission official stated that, in his opinion, both projects had important political considerations for long-range U.S. interests. (~~CONFIDENTIAL~~)

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In conjunction with AID projects, funds also have been provided by AID, through its participant-training program, to provide education or training to Afghans in the United States, at the American University of Beirut, and in other countries. Between 1951 and 1968, a total of 1,900 Afghans were trained or programmed for training under this program. Mission officials told us that they anticipated that participant training would continue after the current AID projects had been phased out.

In addition to the United States, contributors to educational development have included the U.N., the Federal Republic of Germany, France, the United Arab Republic, the U.S.S.R., Bulgaria, IDA, and the Asia Foundation. According to AID, as of June 1969, 97 percent of all foreign development assistance had been directed toward sectors other than education. Most of the less than 3 percent of foreign donor funds invested in education has been from the United States.

Two of AID's projects are discussed below, to illustrate the difficulties and uncertainties involved in attempting to improve specific aspects of education in Afghanistan. In both cases we believe that AID focused its attention on important aspects of education. Moreover, in our opinion, it can be said reasonably that progress has occurred as a result of the AID projects despite the fact that problems have been encountered which have reduced the benefits that otherwise may have been obtained.

Agriculture education

We believe that, in a country where an estimated 85 percent of the population are engaged in agriculture, AID's decision to assist in the development of agriculture education was reasonable. The project began in 1956 and is scheduled to phase out by June 30, 1973. Under an AID contract with the University of Wyoming, the primary objective has been to establish a faculty of agriculture at Kabul University. The goals included a faculty of about 50 members, six different curricula, and an ability to produce 75 agriculture graduates annually. Another aspect of this project has been participant training, through which AID provides funds for Afghans to pursue advanced degrees in agriculture.

As a result of this project, a faculty of agriculture was established at Kabul University and had 58 members as of December 1969. The following six curricula had been developed: agriculture extension, animal science, plant science, agriculture economics, agriculture engineering, and agriculture education. The number of agriculture graduates from Kabul University in 1970 was 30.

Other accomplishments under this project have included assistance in establishing an experimental farm, in conducting research projects, and in issuing publications on a variety of agricultural topics.

Although the number of agriculture graduates in 1970 was only 30, the enrollment of agriculture students at Kabul University increased from 140 in 1965 to 449 in 1969. It thus seems likely that the number of graduates will increase significantly in the near future. On the basis of this fact, we believe that the future of agriculture education in Afghanistan should be viewed optimistically. Other factors, however, cause the future to appear uncertain.

For example, political pressures due to student unrest have forced lower entrance requirements at Kabul University and enrollments which may be excessive. As a result, a shortage of teaching materials has occurred and the quality

of education may decline. The chief of party for Wyoming University, in a report dated August 1970, speculated that, due to excessive numbers and lowered quality, agriculture graduates might be unable to locate employment within the next 5 years.

This project also has been adversely affected at times by ineffective administrative leadership on the part of the Afghans, according to AID and contractor officials. Among the problems reported have been a weak faculty dean and frequent changes in top administrative personnel at Kabul University, which have resulted in an unstable situation. There also have been frequent delays within RGA in reaching decisions bearing on agriculture education. In addition, a lengthy student strike at Kabul University in 1969 disrupted classes and agriculture research projects.

Under this project almost 100 participants have received advanced degrees. As of December 1969 the majority of returned participants were employed by the faculty of agriculture, the RGA Ministry of Agriculture and Irrigation, or the RGA Helmand-Argbandab Valley Authority. The Mission anticipates that the participant-training aspect of agriculture education will be continued beyond June 30, 1973, but under a separate project.

In summary AID's assistance to agriculture education in Afghanistan has shown results in quantifiable terms. Yet due to political pressures caused by student unrest and administrative weaknesses within RGA, the future prospects for continued improvement in the faculty of agriculture, after AID's phaseout, remain uncertain. A responsible Mission official stated that, in his opinion, the AID project had provided the Afghan faculty with the professional ability to continue successfully after the project was phased out. Beyond that he stated that the other types of problems which might adversely affect the faculty of agriculture were problems which must be resolved by RGA.

Elementary and secondary education

AID's largest expenditure for education development has been for the elementary and secondary education project which

has been carried out under a contract with an American university. The project was initiated in 1954 and involved six separate activities, four of which were phased out prior to our review. We noted that one activity--assistance in developing primary school teachers--had been assumed by the U.N. Educational, Scientific, and Cultural Organization after AID's assistance phased out. The two ongoing activities involved assistance to the faculty of education, Kabul University, and assistance in designing curricula and textbooks for Afghanistan schools. AID anticipated that only the latter activity, having a planned phaseout of fiscal year 1976, would be operative after June 30, 1971.

With the literacy rate in Afghanistan estimated to be no more than 10 percent and with about 20 percent of the primary-school-age children in school, we believe that AID's participation in the improvement of elementary and secondary education was reasonable. Moreover the fact that RGA also has viewed improvement of education at these levels as a priority goal adds weight to the soundness of AID's participation. Although we were unable to determine whether the six activities selected for concentration were clearly those of utmost importance for achieving the desired objective of improving elementary and secondary education, we believe that AID demonstrated that some need for improvement was evident in the six chosen activities.

We noted that the four project activities which had been phased out prior to our review were faced with various difficulties. Our observations regarding problems and uncertainties in assisting the faculty of education were parallel to those in developing the faculty of agriculture, previously discussed.

At the time of our review, five members of the AID contract team were engaged in the curriculum and textbook activity which began in 1966 and which is scheduled to terminate in 1976. The goal is to develop curricula, textbooks, and teachers' guides in the Pushto and Farsi languages for the first through sixth elementary grades. The primary thrust of the project, however, is to develop a continuing capability within the RGA Ministry of Education to perform similar functions. This activity has encountered delays and

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other problems, partially attributable to the contractor and partially to RGA. The contractor did not provide a complete staff for this activity until 1969, and backstopping by the university's home campus was weak in the past, according to AID documents. The contractor furnished one team member between fiscal years 1966 and 1969 when two additional members were assigned. On the RGA side, the project has been hampered at times by the lack of well-qualified Afghan specialists assigned to it. (UNCLASSIFIED)

During 1969 the contractor increased its staff on the curriculum and textbook activity to the full authorization of five. Moreover Mission officials told us in mid-1970 that a rigid production schedule had been established and that the contractor's performance was considered satisfactory. A responsible Mission official stated that the project now was likely to continue on schedule, unless problems on the part of RGA were encountered in the future.

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At the time of our review, Mission and contractor officials expressed a sense of determination and optimism regarding the future of the project. Mission officials view this project, in addition to meeting a basic need, as having important political benefits in that it represents an opportunity to introduce free-world values to Afghans at a very young age. ~~(CONFIDENTIAL)~~

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POPULATION AND FAMILY PLANNING

AID has supported a family planning program in Afghanistan since 1968 by providing funds both through a private organization involved worldwide in family planning and through furnishing commodities, participant training, and advisory services. Although initial targets were set very low, a better-than-anticipated start was made in influencing the attitudes of a society having traditionally adverse attitudes toward family planning.

In 1968 RGA launched a family planning program with AID support. In view of Afghanistan's traditional cultural and religious attitudes, United States and RGA officials anticipated that family planning would be a very sensitive issue with the people. Consequently, in 1969, the U.S. Country Team decided that the Mission's support for the program would not be publicized. The program's emphasis is on birth control but is being implemented in conjunction with RGA's general health program.

For fiscal years 1968 through 1970, the Mission's support for family planning totaled \$224,000. At the time of our review, RGA had not provided funds but personnel and physical facilities had been made available.

In March 1969 the Mission anticipated that a total of three family planning clinics in Kabul and possibly a few experimental clinics in the provinces would be established within the following year. The Afghans, however, were more receptive to family planning than anticipated, and, by August 1970, five fully operative clinics in Kabul and five experimental clinics in the provinces had been established. In addition, RGA has publicly expressed support for the program.

Support from some religious leaders also has been gained. The Mission had financed a visit for two religious leaders to other Moslem countries to promote an international Moslem policy toward family planning. Upon their return these Afghan religious leaders began to deliver health messages within the country in support of family planning guidance.

According to Mission officials there is a need for data on the Afghans' knowledge and attitude toward family planning and a need for basic demographic data with which a more successful family planning program can be developed. Mission officials told us that a study to provide the data was scheduled to begin in January 1971.

MOBILIZATION AND USE OF
PUBLIC AND PRIVATE RESOURCES FOR DEVELOPMENT

Foreign assistance accounts for most of Afghanistan's economic development effort. The country has not been able to effectively mobilize and use its own public and private resources for development purposes. Government revenue has been sufficient only to meet operational expenses, and private investment has not had much impact on development although an improved private investment climate holds promise for future development. The country faces a continuing balance-of-payments problem because of increased debt-servicing requirements that may not be matched by growth in exports. Most of the debt is owed to the U.S.S.R. and is repaid mostly through Afghan exports to that country. U.S.S.R.-tied aid and the geographic closeness of the two countries make them natural trading partners and limit the broadening of economic ties with the West through trade. Nevertheless Afghanistan is seeking ways to increase trade with Western countries.

AID project assistance efforts in public administration have met with varied success. Development-planning assistance may be effective in countering U.S.S.R. assistance in the same area, but Afghanistan still does not have a good plan for its development. Improvement in RGA financial administration, the private investment climate, and a marketing cooperative are, however, at least partly attributable to AID efforts. The improved investment climate that has stimulated private sector development in the future may provide an opportunity for the United States to influence economic development through private American investment.

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Government finances

Expenditures

RGA expenditures have been characterized by rapidly increasing outlays for current operations and debt-service payments, which have resulted in generally declining portions of domestic revenues available for development. Afghanistan has relied extensively on foreign assistance for development financing. Although total development expenditures amounted to about twice the amount of ordinary expenditures, RGA contributed only about one fourth of them, the remainder being financed by foreign assistance. During the 8-year period ended in 1970, the proportion of RGA's annual development expenditures to total RGA expenditures decreased from more than 40 percent to about 15 percent. Less than half of these outlays were financed from revenues collected, the remainder being financed by public borrowing.

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Military expenditures more than doubled during the 8-year period ended in 1970 and averaged 23 percent of total expenditures--excluding foreign assistance. Although military expenditures necessarily divert a developing country's scarce resources, the Mission believes that RGA's military expenditures are necessary largely to ensure internal stability. There also have been increases in RGA expenditures for education, for the maintenance of completed development projects, and for exchange subsidies recently introduced on certain major exports. ~~CONFIDENTIAL~~

Revenues

Between 1965 and 1970 the rate of RGA revenue growth was less than the rate of expansion of ordinary expenditures and debt-service requirements, which placed a severe squeeze on development expenditures and which resulted in growing budget deficits. RGA has had barely enough revenues from its own existing sources to cover its ordinary budget--distinct from the development budget. Over the years ineffective administration within RGA and ever-rising expenditures have negated attempts to gain more revenues for development by changing the tax system. Land tax reform and

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the reimposition of the livestock tax--considered to be key revenue measures--were stalled in Parliament in mid-1970.

Afghanistan relies heavily on indirect taxation, mainly in the form of taxes on foreign trade. In the past this practice clearly inhibited foreign trade and private investment and led to widespread smuggling, according to international organizations. RGA is taking remedial action by removing most export taxes and by making import tariffs more reasonable.

Direct taxes--consisting of income, land, and livestock taxes--decreased from 14 to 8 percent of total revenue between 1963 and 1969. Because the agriculture sector, employing about 85 percent of the people, is exempt from individual income taxes, only a relatively small portion of Afghans are subject to it. The land tax--the only direct agricultural tax in effect in mid-1970--has produced only minimal revenues because it is based on assessments made some 50 years ago and because tax rates have been increased only once since then.

Afghanistan has taken a number of measures to increase revenue over the years, largely due to prodding from IMF and bilateral donors, including the United States. For example, the June 1970 modification of the agreement between IMF and RGA provides that Afghanistan not be able to purchase hard currency from IMF unless the Afghan land tax is reformed and the livestock tax is reimposed.

U.S. and other assistance

To help Afghanistan in the mobilization of resources through the tax system and through improved financial administration, AID has provided technical assistance to RGA in a number of functional areas since 1957. Through fiscal year 1970 this assistance amounted to about \$5.5 million in technical assistance grant funds. The Mission is planning to continue assistance in this area until fiscal year 1977, pending approval by AID.

Financial management improvement projects have helped install budget and accounting systems in RGA and have assisted in various studies on revenue and personnel procedures, including customs, income tax, and land tax. Furthermore the RGA Ministry of the Interior has been assisted in developing a school to provide surveyors and field workers to survey prime arable land in Afghanistan in order to place it on the tax rolls. Other financial administration assistance in Afghanistan consists of an IMF project aiding in the modernization of the central bank's operations.

Balance of payments

Due to a stagnant pattern of exports and rising debt-service requirements resulting from external development loans, Afghanistan has been experiencing a critical balance-of-payments problem. Unless current trends are reversed, it is not expected that Afghanistan will be able to show a favorable balance-of-payments position or to cover even a small part of its development imports in the near future. Furthermore the country's continued reliance on foreign assistance for its economic development is expected to worsen an already-serious debt-service problem.

Afghanistan's exports have remained relatively constant in recent years at about \$65 million to \$70 million annually, or only about 50 percent of imports. Foreign grants and loans have covered the basic trade deficit in most years. Exports in 1968 and 1969 recovered to their 1964-65 level due to the export of natural gas to the U.S.S.R. that began in 1967. Other exports--mostly karakul skins, raw cotton, wool, and carpets--have decreased consistently; only fruits and nuts have shown some growth in recent years.

An international organization has identified several reasons for the slow growth of Afghan exports. First, agricultural production has not increased. Second, the requirement that exporters surrender foreign currency for three major exports at a rate below the free-market has impeded exports. Third, external demand for two main exports, karakul skins and carpets, recently has decreased and competition from other countries producing karakul skins has

increased. AID stated in May 1971 that, although karakul export earnings had decreased over the years, karakul exports increased from \$11 million to \$14.5 million from 1966 through 1969.

Export promotion has consisted primarily of incentives through the exchange system by adjusting the currency-surrender rate closer to the free-market rate and by removing direct export taxes. Attempts also are being made to develop new markets in the West for dried fruits and nuts, previously exported mainly to Eastern Europe, and to increase the export of karakul skins and carpets. Other efforts include the encouragement of export-oriented industries, negotiations on a transit agreement with Turkey, and the diversification of exports with bilateral trading partners.

We were advised by U.S. officials that the future potential for increased exports lay primarily with the agriculture sector, including meat processing, but that there was a possibility of exploiting the country's mineral resources. In addition, tourism seems to offer future prospects for earning additional foreign currencies and for contributing toward the narrowing of Afghanistan's balance-of-payments gap.

The Mission stated that Afghanistan's balance-of-payments position should improve soon in view of increased incentives for exports. The degree of improvement, however, might not cover rising imports and debt-service requirements.

External debt burden

As of December 31, 1969, the total external public debt outstanding amounted to \$649 million. Of this debt, \$472 million, or 73 percent, was due the U.S.S.R.; \$84 million, or 13 percent, was due the United States; and \$57 million, or 9 percent, was due the Federal Republic of Germany.

Debt-service requirements, including interest and principal, reached about \$21.3 million in 1969 and 1970 and are

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expected to increase to \$28.2 million by 1973 on the basis of the foreign debt outstanding as of March 20, 1969. The annual amortization and interest payments increased steadily after the expiration of the 3-year moratorium on certain obligations to the U.S S.R. in 1967. (UNCLASSIFIED)

According to U.S. and international organization officials, Afghanistan's debt-service obligation is a critical factor in the country's economic development and continues to add increased strain to an already-weak balance-of-payments position. (UNCLASSIFIED)

Trade

Afghanistan's major trading partner is the U.S.S.R. which, over the past several years, has taken about one third of Afghanistan's exports and which has provided about one half of the imports. Other major recipients of Afghan exports are the United Kingdom, the United States, India, and Pakistan. The United States is the second largest supplier of goods to Afghanistan, averaging over 10 percent of total imports over the past several years, including AID-financed imports. (UNCLASSIFIED)

In the past U.S. officials were extremely concerned over U.S S.R. domination of the Afghan economy in the areas of trade and debt-service payments. Optimism now is being voiced in this regard, however, and we have been advised that Afghanistan should be able to maintain its economic independence, barring unforeseen developments. Efforts are being undertaken to increase trade with the West. The U.S S.R. is, of course, one of the natural trading partners of the country for reasons of geography and resulting accessibility, and this limits the potential for broadening trade with the West. Furthermore the practice of effecting large debt repayments to the U.S.S.R. through exports also has been a determinant in Afghanistan's direction of trade.

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U.S. and other assistance

To increase Afghanistan's foreign-exchange earnings, AID has assisted the Afghan Karakul Institute, an exporter's cooperative, since 1966 to improve the marketability of Afghan karakul skins in world markets through improved technical, business, and marketing methods. The project now is being phased out, with the exception of periodic visits of one of the U.S. contractors possibly through 1972 to improve the curing process. Through fiscal year 1970 this project cost about \$200,000 and was assessed by AID as successful.

Other countries and organizations, such as the U.N. and the Asia Foundation, are aiding Afghanistan in the area of export promotion through the Carpet Exporter's Guild, the Ministry of Commerce, and the survey of mineral resources.

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Private investment

Afghanistan's Foreign and Domestic Private Investment Law of 1967 gave an important beginning toward mobilizing the private sector for economic development. The private sector now appears to offer good potential for the development of the country. The 1967 law resulted in notable progress in private investment and significantly improved the investment climate in Afghanistan. The law represented a change from investor control to investor support because, prior to this time, enterprise was discouraged by strong RGA control.

As of May 1969 prospective investment under the law represented about \$31 million in domestic resources and about \$6 million in foreign resources. By May 1970, 49 plants actually were operating under the law in various industries, were representing current investment of about \$3 million to \$4 million, and were employing some 3,500 persons. The projected capital investment of these 49 plants is about \$14 million.

More foreign private investment could further enhance the economic development of the country. To promote and support the active participation of American private enterprise in providing resources and talents to help further the economic and social development of less developed countries, the Congress established the Overseas Private Investment Corporation as an agency of the United States. The investment guarantee programs and the advice of the Overseas Private Investment Corporation are prospective means for encouraging more U.S. private investment in Afghanistan.

Obstacles which still inhibit the rapid expansion of the private sector in Afghanistan include the inadequacy of available credit, limited nature of managerial and engineering experience, lack of sound commercial and business laws, and ambivalent Government attitude toward the private sector. To help provide credit, several years ago RGA proposed the establishment of an industrial development bank,

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but it had not yet become a reality at the time of our review.

The improvement of the investment climate in Afghanistan has been generated, in part, by U.S. technical assistance. Since fiscal year 1963 AID has provided advisory services to RGA and to private investors through a contractor. Through fiscal year 1970 the private sector development project amounted to about \$800,000. According to the Mission the project has been generally successful.

Other donor countries and multilateral agencies also have provided assistance to the private sector and generally have directed their efforts toward specific industries or projects, rather than toward the private investment climate in general. These donors include the United Kingdom, France, the Federal Republic of Germany, the Asia Foundation, and the U.N. In mid-1970 the Asian Development Bank also was considering a loan of \$1.5 million for the further development of an industrial park at Kabul.

Development planning

Since 1956 RGA's development effort has been incorporated into three 5-year plans prepared with the help of foreign technical assistance. Improvements have been made in RGA's economic planning, but serious shortcomings still exist.

According to U.S. officials Afghanistan has not yet developed a workable, coordinated, comprehensive development plan for its economic and social development. In addition, there is little relationship between the long-range planning process and the annual budgets. Two major reasons for Afghanistan's slow progress in development planning are a severe shortage of qualified personnel and an absence of reliable economic data.

Since 1961 AID has provided technical assistance amounting to about \$2.3 million in support of Afghanistan's development-planning effort. A U.S.-financed team of economic planners trains Afghan staff in the RGA Ministry of

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APPENDIX II

Planning, provides a source for policy views on major economic and planning issues, and assists in day-to-day operational problems of the Ministry. Mission and AID evaluations of the project have shown limited success.

(UNCLASSIFIED)

The U.S.S.R. and the Federal Republic of Germany also have provided planning assistance through teams, and France is providing one man. The U.S.S.R. team began assisting the Ministry even before U.S. aid in this field was initiated in 1961, whereas the German team started in 1966.

(UNCLASSIFIED)

Having a number of foreign advisory teams in the same area does not represent optimum utilization of foreign assistance, in our opinion. We were informed that RGA desired to have the United States involved in development planning and that our involvement was consistent with the objective to counter U.S.S.R. influence. ~~(CONFIDENTIAL)~~

IBRD also has recently expressed interest in furnishing project planning and preparation assistance but not general economic planning aid. IBRD believes that the country is not ready for general economic planning because of the lack of reliable data. (UNCLASSIFIED)

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APPENDIX III

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DEPARTMENT OF STATE

Washington, D.C. 20520

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23 MAR 1971

Mr. Oye V. Stovall, Director
International Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Stovall:

Thank you for your letter of January 15 to the Secretary of State enclosing the draft of a proposed report to the Congress on "A Review of United States Programs in Afghanistan."

Taking advantage of the offer in your letter, Department officers have held very useful informal discussions on a number of aspects of the draft with members of your staff. The comments in this letter and its enclosure reflect amendments to the draft proposed by the GAO following these discussions. As you requested, Mr. William F. Spengler, Country Director for Pakistan and Afghanistan, will transmit to Mr. John Redell of your staff recommendations regarding the classification of the report paragraph by paragraph in a separate letter.

Let me begin by commending your staff on the preparation of a useful study of our policies, interests and programs in Afghanistan. Their task was greatly complicated by the broad scope of their review. The following comments do not attempt to cover the entire report but focus on the chief recommendation, as amended, and a few related items primarily from the standpoint of our foreign relations. We have, as you suggested, concentrated on those sections with foreign affairs implications, especially Chapters 2 and 4. [See ch. 6.]

The amended recommendation to which we are responding provides:

"GAO is recommending that the Secretary of State in conjunction with the AID Administrator continue to encourage multilateral aid to Afghanistan to the extent that United States objectives can be more effectively achieved. GAO is not questioning the merits of the United States foreign policy objectives concerning Afghanistan. GAO believes, however, that the multilateral approach outlined

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above offers the United States an opportunity to consider a time-phased retrenchment of its bilateral economic assistance programs as the international organizations display the ability and willingness to provide additional development assistance for economic growth.

"GAO is also recommending that the United States Ambassador and members of his Country Team in Afghanistan intensify their efforts to provide a framework for coordination of United States programs with those of the various other donors in an attempt to further influence essential self-help requirements in Afghanistan."

The Department accepts this recommendation as a reasonable approach to our future aid policy vis-a-vis Afghanistan. We are encouraging, and will continue to encourage, assistance to Afghanistan by the United Nations and the World Bank, and will continue to assess carefully the effectiveness and capability of multilateral organizations in meeting the needs of Afghanistan. We are already intensifying our efforts to improve coordination of assistance efforts by the major donor countries working in Afghanistan. This is now being undertaken primarily through the new Resident Director of the UNDP in Kabul, with the hope that this channel will provide the best possibility of including the largest donor of economic assistance, the USSR, in the coordination process.

We would like to point out, however, that there are certain foreign policy constraints on the retrenchment of our bilateral aid program in Afghanistan. Afghan officials regard bilateral economic assistance as an affirmation of American political support for Afghan independence. Officials at the highest level have clearly indicated that they would consider a major reduction of our aid presence as in effect abandoning them to overwhelming Soviet influence. We wish to see Afghanistan remain free and secure from overdependence on the Soviet Union.

We agree with the report's positive appraisal of the effectiveness of our relatively small MAP training program. We concur in certain factual corrections which the Department of Defense has presented in its reply, corrections which we understand have resulted from refinements of the data which was available at the time of the GAO review in Kabul. We believe the MAP training program should be continued at approximately present levels.

We believe that the Peace Corps operation in Afghanistan has been highly successful in general and feel that the overall tone of the section on the Peace Corps should be made more positive, although we leave it to the Peace Corps to make specific suggestions on issues raised in the draft report.

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APPENDIX III

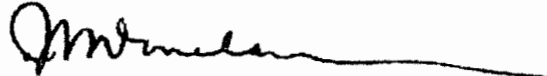
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- 3

Finally, the Department is pleased to support the GAO recommendation on increasing the USIS program in Afghanistan by one position and the positive USIA response which we understand is being submitted.

We have appreciated the opportunity to discuss these and other questions with your staff, and hope that your office will consider these further comments in completing the report to the Congress.

Sincerely yours,



Joseph F. Donelan, Jr.
Deputy Assistant Secretary
for Budget and Finance

Enclosure:

State Department Comments on Draft GAO Report

GAO note: The page numbers cited by the Deputy Assistant Secretary for Budget and Finance in these comments refer to pages in the draft report submitted for review. The page numbers shown in brackets refer to the corresponding pages of this report.

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STATE DEPARTMENT COMMENTS ON DRAFT GAO REPORT:
"REVIEW OF UNITED STATES PROGRAMS IN AFGHANISTAN"

Chapter I - Introduction

[See p. 5.] [See p. 4.]

Page 4 (and page 3b of Digest) refer to "declining" overall U.S. bilateral economic assistance. Over the longer term this has, of course, been happening, but in the past two years this trend appears to have been reversed, with aid appropriations increased from a low of \$1.38 billion in FY-69 to \$1.46 billion in FY-70 and \$1.75 billion in FY-71. The report might take note of this fact at least in the footnote on page 4.

Chapter II - U.S. Objectives and Strategy Vis-a-Vis Afghanistan's Foreign Relations and the USSR Posture

We do not have any comments to offer on the statement of U.S. objectives and strategy in Afghanistan. Soviet policy toward Afghanistan is summarized on pages 10 and 11. In addition to the Soviet objectives cited from the NSC paper, it might be useful to point out that the Soviet policy of peaceful co-existence with Afghanistan serves Soviet interests as an example for other small aid-recipient countries.

Chapter III - United States Program Results

[See p. 42.] [See p. 2.]

On page 13 (and on page 3a of the Digest) it is stated that if more aid were channeled through international organizations, the U.S. "political objective of Afghanistan independence and neutrality would become a more direct and immediate concern of the United Nations." We do not feel that we should expect the UN to support a U.S. political objective. From our discussion with GAO officers, however, it appears that this statement was meant to convey the hope that the UN might develop a greater sense of responsibility for the economic development of Afghanistan which, although incidental to the UN objective, would further our policy objectives in Afghanistan. We would accept this interpretation and suggest that the statement be amended accordingly. As a matter of fact, we have for years encouraged UN assistance to Afghanistan with this in mind.

Chapter IV - Observations on an Alternative Approach for Attaining U.S. Objectives.

While we agree that increasing private investment and trade from the West are desirable eventual alternatives to aid, as noted on page 17, the

[See p. 42.]

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practical limitations of these factors should be recognized. AID has been assisting private enterprise projects which show great promise, but by the end of 1970, only one American firm had been induced by the new opportunities to invest in Afghanistan. We believe it is unrealistic to suggest that private U.S. investments could in the near future reach such a magnitude as to make a meaningful impact. Local market opportunities are limited, and large-scale extractive industries do not yet appear to be attractive to private foreign investors in view of the huge infrastructure costs that would be required.

On the trade side, it appears that because of the factors of distance and the types of products involved, the greatest opportunities for increased trade outside the Soviet Union are not with the U.S. and Western Europe but rather with neighboring areas. These areas could not really be expected to "counter any threat of Afghanistan being economically dominated by the USSR."

While recognizing the limitations of U.S. influence both past and present described on page 18, we would like to point out the important steps in the direction of private enterprise which Afghanistan has taken in recent years. These steps have clearly been influenced by our programs in the country. As the draft report notes on page 40, the official RGA position in 1962 was one of discouraging private investment. Since then we have assisted in the preparation of the Foreign and Domestic Private Investment Law of 1967 under which over 130 new private enterprises have been approved and over 50 have gone into operation; we have helped in the establishment of the Investment Advisory Center as a part of the Chamber of Commerce; and we have been instrumental in encouraging the passage of a bill providing for the establishment of an Industrial Development Bank of Afghanistan in the private sector. These constitute fundamental policy shifts resulting from our efforts in Afghanistan.

[See p. 54.]

On page 20 it is suggested that U.S. assistance to agricultural development in Afghanistan should have been based on a "review of overall agricultural needs." This review, as the report notes on page 60, is now being undertaken by the Asian Development Bank (ADB), which has, incidentally, contracted with an American firm to do the work. The draft report might take note of the fact that its suggestion is currently being implemented and that AID has indicated its intention to await completion of the ADB study before making new commitments in agriculture.

[See p. 87.]

We question the projection on page 21 that assistance from international organizations has shown signs of "sharp increases," not because the World Bank, for example, is not prepared to increase its investments in Afghanistan, but because of the slowness of implementation of its projects.

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IBRD officials expect disbursements of World Bank loans to remain well below projected availabilities for the next three or four years, perhaps reaching an annual level as high as \$7 million by 1974.

We would like to make one final general comment regarding "political factors" or "political considerations," which are stated in several places to have impaired economic progress in Afghanistan (e.g., pp. 3, 19, 22, 54, 56, 66, 86). It would be desirable to specify what type of political factor is involved in each instance. In some cases it appears that cold war international political considerations are meant; in others it would appear to be domestic politics in Afghanistan; while still others seem to be attributed primarily to U.S.-Afghan political relations. It would be useful to know more precisely which type of political question is considered to be at the heart of the problem concerned, and how such considerations are deemed to have conflicted with economic development.

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APPENDIX IV

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

May 6, 1971

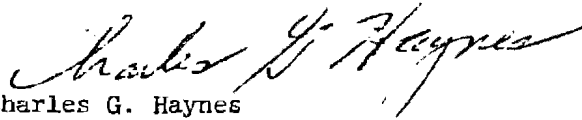
Mr. Oye V. Stovall
Director
International Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Stovall:

We have studied with interest the draft report on United States assistance to Afghanistan, which was transmitted with your letter of January 15, 1971. Enclosed is a memorandum to the Auditor General from Mr. Curtis Farrar, Deputy Assistant Administrator for the Bureau for Near East and South Asia which constitutes the Agency's consolidated response to this report.

With respect to security classification of the report, we understand that the Department of State has responded to you in detail.

Sincerely yours,



Charles G. Haynes
Deputy Auditor General

Enclosure: a/s

GAO note: The page numbers cited by the Deputy Auditor General in these comments refer to pages in the draft report submitted for review. The page numbers shown in brackets refer to the corresponding pages of this report.

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HANDLE THIS DOCUMENT AS UNCLASSIFIED.

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APPENDIX IV

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ASSISTANT
ADMINISTRATOR

1971

MEMORANDUM FOR: M. Edward F. Tennant
Auditor General

SUBJECT: Draft GAO Report to the Congress of the United
States, "Review of U. S. Programs in Afghanistan
(A Case for Multilateral Aid)"

We appreciated the opportunity to review and comment on the draft GAO report. Our comments are directed to those portions of the report which discuss the scope, character and direction of the United States economic assistance programs.

The report is a fair appraisal of the evolving political and economic rationale which has guided our economic assistance to Afghanistan over a twenty-year period of involvement in the modernization of its infrastructure and in the development of its economic and social institutions.

The political and security requirements of countering USSR activities with respect to Afghanistan, and elsewhere in the Near East and South Asia, were particularly emphasized in some instances in U.S.-financed programs during the first decade of U. S. assistance to Afghanistan. In the late 1960's the changing political situation resulted in a significant lessening of this emphasis.

While the report notes the changing U. S. political interests, it gives the impression that our economic assistance programs might have been administered from the very beginning with immunity from the compelling foreign policy interests of the U. S., the USSR, and Afghanistan. Similarly, in its criticism of the politicizing of foreign aid, the report does not seem to recognize that development is also a political process and that, regardless of the donor, development activities have major domestic political implications for Afghanistan.

The report suggests that the desired immunity from political determinants can be achieved by channeling aid through international organizations, and it is true that in certain sensitive areas international organizations can be more effective because their actions are felt to be void of foreign policy bias and neutral as to ideological content. The record does not, however, support the view that international organizations are appreciably more adept at handling the domestic political ramifications of self-help development projects.

Concerning the GAO recommendation for developing a framework for coordinating foreign donor contributions, the USAID Mission to Afghanistan

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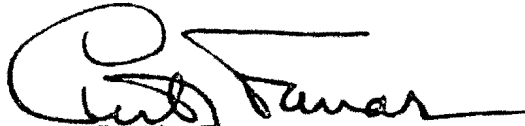
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has been diligent in its cooperation and coordination with other donors and with the resident representatives of the IBRD and the UNDP. The Mission has made a point, particularly on the technical level, of ascertaining that projects are not duplicated and that technical know-how is fully shared with Afghan counterparts. Moreover, through the services of U. S. contract advisors, the Mission has helped the RGA Ministry of Planning to assume an active role in allocating the country's resources, coordinating the flow of foreign assistance and efficiently using foreign aid.

We think that donor coordination must first be effected at the field level before consideration is given to more formal arrangements. We also think that the initiative for a formal arrangement should lie with the RGA and the international organizations concerned. While we want to be helpful and supportive, we believe that overt U. S. involvement in the initiation of such an effort could be counter-productive. At present, the Mission is supporting the initiatives of the UNDP in developing a programming approach whereby all foreign contributions are matched against Afghanistan's development requirements and support capabilities on the basis of their priority. We hope that this will result in an effective coordination mechanism, but it is too early to make a definitive judgment.

As the above suggests, we are in substantial accord with the recommendations of the GAO report--our differences being primarily with respect to timing, degree, and emphasis. As to the GAO's principal recommendation, as amended, we also believe that a greater initiative and share of the burden should be undertaken by international organizations. However, we also believe that there will continue to be a need for bilateral as well as multi-lateral programs.

To assist the GAO team in preparing its final report, we have attached specific comments to those sections of the draft referring to A.I.D.-administered projects. The comments are keyed to the pages of the draft report.



Curtis Farrar
Deputy Assistant Administrator
Bureau for Near East and South Asia

Attachment: a/s

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Clearances:

AA/NESA:EMVinson (one)
NESA/CDE:THLustig (draft)
NESA/ID:BNewbry (draft)
PPC/RC:MJHeyl (draft)
NESA/NE:RLFriedline (one)
NEA/PAF:RAFlaten (draft)

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ATTACHMENT

Comments on GAO Draft Report: Review of United States Programs in Afghanistan (A Case for Multilateral AID)

GAO Report
Page 3:

Paragraph beginning, "Other Free World and Communist block government and the United Nations"... ending with ... "and from a wider variety of sources than in recent years." AID from foreign sources has declined from \$98 million in 1966/67 to \$62 million in 1969/1970, according to the IBRD's "Current Economic Position and Prospects of Afghanistan," Report No. SA-22a, January 12, 1971, Statistical Appendix, Tables 1.5 and 1.9.

[See p. 41.]

Page 12:

Sentence beginning, "The per capita GNP of \$90, a 10 per cent literacy ...". The IBRD's "Current Economic Position and Prospects of Afghanistan," Report No. SA-22a, January 12, 1971 gives the current per capita GNP as \$66.

[See p. 42.]

Page 17:
also pages
84-85:

"We believe that the future U. S. role in the economic development of Afghanistan should look increasingly at private investment opportunities and towards expansion of trade with the West. U. S. private investment would provide employment opportunities, upgrade labor and management skills and give wider participation in the benefits of development."

[See p. 78.]

These objectives are highly desirable but there are serious obstacles to their attainment including, among others, a lack of credit and established credit institutions and logistical support facilities for industry. Afghanistan is a land-locked country with no appreciable trade with Western countries. Its traditional trading partners have been the USSR, China, India, Pakistan and Iran. Tourism has only limited possibilities because of the country's remoteness from extensively traveled international routes. Mining and oil reserves are not very promising given the problems of poor access and transportation. There are not many opportunities for U. S. private investment in Afghanistan. In most cases it would be necessary for U. S. investors to enter into joint ventures with Afghan partners in order to do business in the country. The number, resources and capabilities of prospective Afghan investors are extremely limited. The foreseeable return on foreign investment in Afghanistan, moreover, offers relatively little inducement to U. S. companies. It is more likely that the regional cooperation between Afghanistan, Pakistan and Turkey and the sizable trade between Afghanistan and

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- 2 -

India will encourage the participation of private investors in these countries in joint ventures in Afghanistan. In short, the GAO's suggestion, while desirable for both economic and political reasons, is of doubtful feasibility so far as U. S. private investment in Afghanistan is concerned.

[See p. 24.]

Page 20
also pages
56-57:

[See pp. 56 and 57.]

"Most of the U. S.' efforts in agriculture have concentrated on a relatively small geographic area, the development of which has become associated with U. S. prestige. Although some results are identifiable, the wisdom of concentrating so heavily on this area rather than selecting projects on the basis of a review of overall agricultural needs is questionable, in our opinion."

Although a large share of U. S. assistance to Afghanistan has been provided for the development of multi-purpose programs in the Helmand-Arghandab Valley, our development efforts in agriculture are nationwide in scope. We have supported agricultural research and extension projects throughout the country. We are supporting Afghanistan's "self-sufficiency in wheat" campaign and the Faculty of Agriculture at Kabul University where future agricultural technicians are being trained for service in the national establishment. All of these are nationally oriented programs.

[See p. 50.]

Page 49:

Second paragraph: "Unlike the USSR, which included maintenance provisions in its loans for highway construction, the U. S. did not make maintenance requirements a part of its initial grant agreements."

Highway maintenance is actually performed by USSR technicians on those roads constructed by the Soviet Union. We do not consider that a similar practice would be desirable under development loans made by AID. In our loans, we have insisted that the RGA demonstrate a capacity to maintain the roads constructed with U. S. assistance as illustrated in the subsequent paragraph of the GAO report which describes AID's negotiations for the construction of the Herat-Islam Qala road.

[See p. 54.]

Page 54:

First paragraph, third sentence, reading "There is no much doubt that political factors have heavily influenced U. S. decisions and that fund allocations have not been based on a systematic review of all agricultural needs."

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As in most important economic development decisions in Afghanistan, political factors have influenced U. S. decisions. However, our programs have been based, primarily, on existing information; i.e., studies carried out by multi-lateral organizations, independent surveys made at A.I.D.'s direction, and the RGA's five-year plans. The lack of available sectoral data has inhibited our ability to make reliable cost/benefit comparisons. During the past year, at the urging of the U.S. and other donors, the RGA has requested an in-depth study of Afghanistan's agriculture by the ADB, and future A.I.D. assistance to Afghanistan's agricultural sector will be based on the results of this study.

[See p. 57.]

Page 57:

Last paragraph: "In an effort to revitalize Valley development, in May 1968, AID loaned the RGA \$4.6 million to help carry out a land betterment program in the Shamalan district of the Valley."

AID authorized a loan of \$4.6 million to the RGA in May 1968 to help strengthen the capability of the Helmand-Arghandab Valley Authority (HAVA) and its Helmand-Arghandab Construction Unit (HACU) to carry out a land betterment program. The first element of the program was scheduled in the Shamalan district because the necessary planning and feasibility studies prepared under the guidance of the U. S. Bureau of Reclamation were well advanced.

[See p. 57.]

Page 58,
Line 10:

"The Loan was to provide the funds needed to carry out the remaining development work of 31,000 acres in the Shamalan area. AID auditors stated in December 1968 that they viewed the loan as highly marginal because results achieved in the valley had not been commensurate with funds previously invested in its development."

Although the development of the Helmand-Arghandab Valley has not yet reached a point where a wholly satisfactory return is being realized on past investments in the area, the studies made by the U. S. Bureau of Reclamation in 1968 showed a good financial return on the increment of investment needed to put the project into good operating condition. The BuRec studies indicated total benefits amounting to 4.46 times the additional cost.

[See p. 58.]

Page 58:

Last paragraph beginning, "The Mission has expended considerable time and effort ..." and ending "renewed hope for implementation of the Shamalan project."

The time and effort expended by the Mission have recently begun to produce results. In March 1971 the King of Afghanistan signed a decree amending the water law, which will facilitate implementation of the Shamalan project.

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- 4 -

Also in March, HAVA signed a contract with HACU for the construction of the first 4.8 kilometers of canal. This was the first major project implementation action. HACU, with assistance provided by AID, has prepared specifications for the procurement of equipment, personal services contracts, and the documentation required to obtain engineering advisory services. These steps have both moved the project forward and provided evidence that the RGA agencies responsible for implementation of the project are willing and able to take the actions required to make it a success.

[See p. 58.]

Page 59:

First paragraph beginning "AID has also financed projects" and ending ... "No reply has been received by August 1970."

The RGA has agreed with AID to provide from its own resources the necessary foreign exchange required to implement the project if the Asian Development Bank (ADB) does not approve a loan for this purpose.

Page 81:

[See p. 76.]

Second full paragraph, last sentence beginning, "Another factor resulting in slow export growth has been the reduced external demand recently for two main exports, karakul skins and carpets, and increased competition from other countries producing karakul skins."

While carpet exports have decreased in recent years, exports of karakul skins have fared better since 1966. However, beginning in 1946 total world-wide karakul exports started dropping both in volume and value and by 1966 Afghanistan's karakul export earnings had been reduced by about half to a level of \$11,000,000. Through establishment of the Afghan Karakul Institute in 1966, an AID-assisted program, Afghanistan has improved the quality of the skins by better sorting, curing and grading practices and has pursued a more active marketing policy. By 1969 Karakul exports had increased to \$14,500,000.

The GAO team may wish to consider and perhaps make use of the above comments in preparing its final report.

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APPENDIX V

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

16 MAR 1971

INTERNATIONAL SECURITY AFFAIRS

In reply refer to:
I-20253/71 ct

Mr. Oye V. Stovall
Director
International Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Stovall:

The sections of the GAO draft report, dated 15 January 1971, "Review of U.S. Program in Afghanistan" (OSD Case #3230) pertaining to Military Assistance Program (MAP) activities in Afghanistan, have been reviewed. The report contains no recommendations relating to MAP activities. However, it does contain certain findings that are relevant to MAP. Comments on each of the major GAO findings that are pertinent to MAP activities in Afghanistan (keyed to the page of the report on which it appears) are contained in the enclosure to this letter which replies to the Director, International Division, GAO, 15 January 1971 letter to the Secretary of Defense.

The results of the DoD review of the tentative security classification of the paragraphs of the subject report that relate to MAP activities will be furnished separately.

In accordance with DoD Directive 5200.1, you are authorized to distribute those portions of the final report covering the review of DoD activities to appropriate Congressional Committees, individual members of Congress and executive agencies.

It is requested that this reply be published in the Appendix to the final report.

Sincerely,

Harold V. Larson
Director of Military
Assistance Programs,
Office of the DASD, MA&S

Enclosure
a/s

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APPENDIX V

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COMMENTS BY THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
INTERNATIONAL SECURITY AFFAIRS, OASD(ISA)
ON THE
SECTIONS OF THE GAO DRAFT REPORT, DATED 15 JANUARY 1971
"REVIEW OF U. S. PROGRAMS IN AFGHANISTAN," (OSD CASE #3230)
THAT ARE PERTINENT TO MILITARY ASSISTANCE PROGRAM (MAP)
ACTIVITIES IN AFGHANISTAN

1. (S) The data reporting USSR military assistance programs for Afghanistan presented in the table on page 7 should be revised as follows:

FY 1949 through FY 1962 - \$101.0 million.
FY 1963 through FY 1969 - \$179.0 million.
Total - \$280.0 million.

These data are classified ~~SECRET~~

2. (U) The figure of 270 appearing on the 7th line of page 14A should be changed to 275.

3. (S) The second paragraph on page 14A states that the principal objective of the military assistance program in Afghanistan is "influencing Afghan attitudes." The MAP objectives for Afghanistan relate to promoting pro-US orientation and to establishing a relationship of mutual trust and confidence with the Ministry of Defense and the Armed Forces of Afghanistan. The objective of "influencing Afghan attitudes," is a related and an essential part of the above, but is not the primary objective as stated in the audit report. The fact that some US trained Afghan officers are in influential positions and that there is continued interest in US training, indicates that the USG is having an influence on Afghan attitudes. Any attempt to measure or evaluate the extent to which Afghan attitudes are changing as a result of MAP would be most difficult, if not impossible, since many factors tend to shape their attitudes.

4. (S) The statements on the administration of the MAP training program contained in the third paragraph of page 14A are correct. The US Defense Attache in Afghanistan had been on station just a few weeks when the GAO personnel conducted their review of MAP training. Records on hand concerning number and extent of influence of US trained officers in key positions were then sketchy and incomplete. Since the GAO visit, the DAO Kabul has been able to identify positions of 133 officers who have received US training. With very few exceptions, these officers are in extremely influential positions. In addition to the numbers identified, it has become evident that there is a loosely organized but dedicated coterie of patriotic Afghan officers who act concertedly to minimize Soviet military influence and to bring about real improvement in the quality of the Afghan military establishment.

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APPENDIX VI

PEACE CORPS

WASHINGTON



OFFICE OF
THE DIRECTOR

March 8, 1971

Mr. Oye V. Stovall
Director
International Division
United States General Accounting Office
Washington, D. C.

Dear Mr. Stovall:

Thank you for transmitting a copy of your draft report to the Congress on the review of "United States Programs in Afghanistan". Those of us having management responsibility for the Peace Corps programs in Afghanistan have reviewed the report, and believe it is fairly accurate although it lacks detail on numerous aspects of the Peace Corps effort and activities there.

The report makes a strong appeal for multilateral assistance. For your information I would note that Peace Corps Volunteers in Afghanistan are and have been working with such multilateral programs as the Central Authority for Housing and Town Planning where they worked with UN officials and the Ministry of Health where they are engaged in projects with WHO. In addition, there are plans for pilot programs to provide UN volunteers in Afghanistan; and Peace Corps Afghanistan is investigating the possibility of training such Volunteers in its incountry training program.

The report suggests that Peace Corps Programs have not been successful as they could have been due to the absence of necessary RGA support and lack of Volunteers with appropriate skills and experience. I would like to point out that though there have been varying degrees of RGA support and some skill shortfalls, no program since 1962 has failed or been cancelled due to the lack of skilled Volunteers. A unique exception to this is the Nangrahar Medical Faculty, where volunteer physicians

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Mr. Oye V. Stovall

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March 8, 1971

have been replaced by a Peace Corps initiated private consortium of American doctors.

If we can be of any further assistance to you in providing additional information and comments please let us know.

Sincerely yours,


Joseph H. Blatchford



OFFICE OF
THE DIRECTOR

UNITED STATES INFORMATION AGENCY
WASHINGTON 20547

March 17, 1971

Dear Mr. Stovall:

The thrust of the GAO recommendations concerning USIS in Afghanistan is that USIS should beef up its operation. Specifically and most immediately, this would mean reinstating the IO position. This is in line with the recommendations of the 1968 inspection team. The GAO report does note that a "USIA regional official" did not concur with the recommendation.

In line with the GAO and USIA inspectors' recommendations, the evaluation made in Kabul in February by the Agency's Deputy Director, and in view of significant changes in the local situation, the Area Office has requested from the Agency's Executive Committee and has been granted an additional position for Kabul and certain additional funds to support an Information Officer. A search for the appropriate individual is now in progress.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Shakespeare". The signature is stylized and cursive.

Frank Shakespeare

Mr. Oye V. Stovall
Director
International Division
United States General
Accounting Office

PRINCIPAL OFFICIALS HAVING
MANAGEMENT RESPONSIBILITIES ASSOCIATED
WITH MATTERS DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE:		
Christian A. Herter	Apr. 1959	Jan. 1961
Dean Rusk	Jan. 1961	Jan. 1969
William P. Rogers	Jan. 1969	Present
 UNITED STATES AMBASSADOR TO AF-		
GHANISTAN:		
John Steeves	Feb. 1962	Nov. 1966
Robert G. Neumann	Nov. 1966	Present
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Thomas S. Gates, Jr.	Dec. 1959	Jan. 1961
Robert S. McNamara	Jan. 1961	Feb. 1968
Clark M. Clifford	Mar. 1968	Jan. 1969
Melvin R. Laird	Jan. 1969	Present
 DIRECTOR OF MILITARY ASSISTANCE:		
General Williston B. Palmer	Nov. 1959	Aug. 1962
General Robert J. Wood	Sept. 1962	Sept. 1965
Vice Adm. Luther C. Heinz	Sept. 1965	June 1968
Lt. Gen. Robert H. Warren	July 1968	Present
 DEFENSE ATTACHE IN AFGHANISTAN:		
Col. Frank T. Huray	June 1968	June 1970
Col. Richard R. McTaggart	July 1970	Present

Tenure of officeFrom ToAGENCY FOR INTERNATIONAL DEVELOPMENT

ADMINISTRATOR:

James W. Riddleberger	Mar. 1959	Feb. 1961
Henry R. Labouisse (note a)	Feb. 1961	Nov. 1961
Fowler Hamilton	Sept. 1961	Dec. 1962
David E. Bell	Dec. 1962	July 1966
William S. Gaud	Aug. 1966	Jan. 1969
John A. Hannah	Mar. 1969	Present

DIRECTOR, AID MISSION TO AFGHANI-
STAN:

Russell McClure	Sept. 1965	Jan. 1970
Bartlett Harvey	Jan. 1970	Present

PEACE CORPS

DIRECTOR:

Sargent Shriver	Mar. 1961	Mar. 1966
Jack H. Vaughn	Mar. 1966	Apr. 1969
Joseph H. Blatchford	May 1969	Present

DIRECTOR IN AFGHANISTAN:

Louis Mitchell, Jr.	May 1969	Present
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UNITED STATES INFORMATION AGENCY

DIRECTOR:

George V. Allen	Nov. 1957	Dec. 1960
Edward R. Murrow	Mar. 1961	Jan. 1964
Carl T. Rowan	Feb. 1964	Aug. 1965
Leonard H. Marks	Sept. 1965	Dec. 1968
Frank J. Shakespeare, Jr.	Feb. 1969	Present

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APPENDIX VIII

Tenure of office

From

To

DIRECTOR, UNITED STATES INFORMATION SERVICE, AFGHANISTAN:

Peter F. Brescia

July 1968 Present

^aMr. Henry R. Labouisse remained Director, International Cooperation Administration, until the agency was terminated on November 3, 1961. Mr. Fowler Hamilton was named Administrator of the successor agency, the Agency for International Development, effective September 30, 1961.

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