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AFGHANISTAN TEN YEARS LATER:
| OPPORTUNITIES AND CHALLENGES FOR DEVELOPMENT

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P R O C E E D I N G S

MS. FERRIS: Okay. Good afternoon, everyone, and welcome to Brookings. My name is Beth Ferris. I'm a Senior Fellow here and Co-Director of the Brookings-LSE Project on Internal Displacement.

We're delighted to organize this event together with Save the Children to talk about some of the long-term development and transitional challenges that Afghanistan faces today. And we've put together a distinguished panel of people who are going to speak from somewhat different perspectives about these challenges as we look toward Afghanistan's future. It's a lot of discussion about the military situation, security, the role of Afghan National Army and police forces. But we hope in this panel to complement some of those discussions by focusing on the strategic development and often governance challenges, as well as some of the implications for U.S. policy.

Before doing so, however, I wanted to just say a few words about the present humanitarian situation in Afghanistan; humanitarian being immediate life-saving assistance. Some of you may have seen the news this week about the bombing at the UNHCR office in Kandahar with the death of three humanitarian workers -- a trend that we've seen over the course of the last year, or even longer -- where to do humanitarian work in Afghanistan is often very dangerous for international workers.

If you look at issues around the movement of people, which is what my project focuses on, the first thing to say about Afghanistan has been the dramatic return of some five million refugees from outside the country since 2002. That represents some 20 percent of Afghanistan's population. Unfortunately, not all of the refugees; most of the refugees have not been able to return to their communities of origin, although they've come back to the country. But we think that many of them have become, in effect, internally displaced persons. Certainly, you see the swelling of Kabul -- the capital city --

probably as a result of many of these refugees being unable to go back to their homes for primarily security reasons, although there are also economic factors, as I'm sure we'll hear.

In the past few months, there have been some disturbing reports from the U.N. and Afghanistan about the increasing number of internally displaced persons; people forced to leave their communities because of violence or security who aren't able to cross an international borders. The numbers are increasing; something like 480,000 today. But what's particularly disturbing is all the caveats that come along with these U.N. figures. We have 480,000 IDPs but that doesn't count people who are living in cities or semi-urban areas where most of the world's IDPs live; not in easily distinguishable camps. And it doesn't include those areas to which the U.N. does not have access for security reasons. I think over half of the country, the U.N. isn't able to travel freely in because of security reasons, and so those numbers may represent just a small percentage of a far larger number whose dimensions we simply don't know.

We're worried, though, that as displacement drags on, as it becomes protracted, it's more difficult to find solutions for IDPs. And we've seen in many regions of the world that when displacement drags on, when people are away from their communities, when they're not able to get on with their lives, that, in fact, that can be a deterrent to the establishment of peace, security, stability in a country. And helping find solutions for IDPs or for refugees can, in fact, contribute to the process of peace-building and stability securing in a place such as Afghanistan.

So, with those few comments, we're going to turn to our three distinguished speakers here. We're going to begin with David Skinner who's been Country Director of Save the Children, Afghanistan for the past two and a half years. Is that right, two and a half years?

MR. SKINNER: Two and a half years.

MS. FERRIS: Mm-hmm. Before that, if you look at his little bio here that we distributed, he's had quite a unique career. Usually when we have humanitarian workers, it's a long listing of different duty posts and different organizations, but David worked with the U.K.'s National Medical Regulator, the General Medical Council, and was also involved in coordinating negotiations with the Chinese government over handing over of Hong Kong, which is a quite different career pattern than most people that we usually welcome for humanitarian issues, anyway.

Then we're going to turn to Kat Campbell who works with USAID's Office of Afghanistan and Pakistan really only since this year. Like other humanitarian or development actors, she does have a long experience of working with different organizations, NGOs in South Sudan, Uganda, Afghanistan, and so on.

We'll then turn to Caroline Wadhams, Senior Fellow at the Center for American Progress who has worked as a legislative assistant on foreign policy for Senator Feingold, also has worked with International Rescue Committee and other NGOs overseas, and is particularly going to talk about some of the consequences or implications, if you will, for U.S. policy. So, we'll ask each of them to speak for about 15 minutes. Please save your questions. I'm sure we'll have a lively debate afterwards. David?

MR. SKINNER: Thank you very much, indeed, and thank you all for coming this afternoon.

I've had the great privilege of being Country Director of Afghanistan, as you've said, for two and a half years, and I wanted to start off thinking about Afghanistan in a positive way, and it's very easy. I've just spent a couple of days talking to people around D.C. and there's clearly fatigue with Afghanistan. There's clearly a sense of -- "Is

Afghanistan still there?"

And I just wanted to start off by reminding ourselves that Afghanistan is actually a fantastic country. It's a very beautiful country. It's a very stark, very rugged country. It's got a long and proud history. It's had a lot of problems in its history as well.

My Afghanistan colleagues, Save the Children's staff -- we have about a thousand staff in Afghanistan, all but 15 are Afghans -- are a fantastic group, very dedicated, very concerned, very amusing people; enormous privilege to work with them.

And I just wanted to say a bit about the successes that have happened in Afghanistan over the last 10 years, because there have been some successes in Afghanistan and we mustn't forget that. In 1970, the under-five mortality rate was one in three. By 2000 it had got to one in four. The latest data as it's been published is that it's one in five.

We now have 85 percent of Afghans have access to primary care. It was about nine percent in 2000. Primary school enrollment has gone from one million to seven million, a staggering increase; two and a half million girls in school.

Interestingly, 28 percent of the Afghan parliament are female, which is better than both the British parliament and the House of Representatives here. Well, I checked this morning; it's 17 percent of the House of Representatives are female.

In 2008 Afghanistan submitted its first report under the Convention of the Rights of the Child showing that as a government it was taking its international obligations seriously and holding itself to account in a public forum, international public forum, serious treaty commitments to further the rights of children. All of that is good. All of that's impressive.

I wanted also to give you a little bit of a sense of more intimate changes in Afghanistan over the last few years, sort of give you a hint of life in Afghanistan. How

many of you have been in Afghanistan? That should be helpful to know. So, quite a lot of you have been to Afghanistan, so some of this you'll recognize.

But some things -- outside our offices, St. John's Compound in Darulaman Road we now have street lamps, which is fantastic. Sometimes -- most of the times the street lamps are working as well, so that's good. But seriously, the quality and the quantity of electricity coming into Kabul over the last two and half years have improved enormously. I don't have to change my transformers or my computer nearly as often as I used to.

Mobile telephone coverage, (inaudible) costs, and a penetration of mobile telephones, which is fantastic. You'll see guys working on the roads suddenly stopping and pulling a telephone out of their clothing and talking on the telephone. So, these guys are some of the least well-paid people in the world, I guess, but they have access to a piece of liberating technology, which I think is important.

Television. Those of you who have lived in Afghanistan will know what the most popular television show in Afghanistan is. It's Starry Afghan, Afghan Idol. So, Afghan Idol is -- and it's great. For those of you who haven't seen it, I strongly recommend it. It's a lot of fun.

The Cricket gets quite a lot of coverage, but actually, it's the television serials, the Turkish television serials which talk to the staff over lunch in the office; that's what they're talking about. I mean, that's interesting because it's giving a different perception of the world, a perception of the world where women are not wearing scarves or veiled, where women are driving cars, where they're holding senior and important roles and things, and in a modern Islamic country or culturally Islamic country. And so, that, I think is interesting. And you sort of see those kinds of cultural changes coming through. Anyway, I wish I could say that it had something to do with Save the Children; of course,

it doesn't. I mean, those are the sort of deep cultural changes which are really very, very important. So, that's, if you like the good news, but there's also quite a lot of less good news.

And if you are a girl born in Afghanistan at the moment, you've got a pretty tough life. I've already said that one in five children don't survive beyond their fifth birthday. That's the second worst rate in the world at the moment. It's very, very difficult. If that rate were to be doubled -- improved twice -- it became one in ten, that way would still be worse than pre-earthquake Haiti, so it's tough.

And then, if you're a boy -- but if you're a boy and you get to five or six, basically you're going to be all right. But if you're a girl, remember that the maternal mortality rate in Afghanistan is one in 11. That means, for every 11 live births, a woman dies in childbirth.

The equivalent figure for the U.S. is 2,500. That's not a good figure, incidentally. The figures for the U.K. are about 4,000 and the figures for Singapore are 10,000. So, in Afghanistan, one in 11. And remember that in Afghanistan, 57 percent of all girls are married by the time they're 16. 57 percent of all girls are married by the time they're 16. So, many of the females who are dying in childbirth are themselves children. When you get married in Afghanistan, you have children. And many of the Afghan girls who are pregnant, giving birth, they're bodies are not ready to give birth in quite that way. It's tough.

There's been a great deal of success in terms of education, but Afghanistan still has the worst primary enrollment rates -- gender disparity rates at primary school in the world. So 40 of girls going to primary school, 60 percent of boys. That's the worst rate in the world, I'm afraid. And in some provinces, it's even worse. In Zabul or in Oruzgan, the rate is one to ten; so one girl is going to primary school for every

10 boys going to primary school.

Ministry of Education says that 50 percent of all education activity is taking place in a tent or outside. Why? Why, in the last 10 years we haven't managed to build the schools as an international community, I simply don't know. But it is the case that, at the moment -- and I'm not talking about the difficulty of building schools in very insecure areas which have real issues. I'm talking about schools in some of the most secure areas in Afghanistan.

If you go to Bamiyan where the Buddhas were, it's about the safest place in Afghanistan. You can walk. I can walk down the street. I can go for a run on the airport. It's great visiting Bamiyan. You sort of get a sense of freedom. But the boys lycée -- they're big lycée in the middle of Bamiyan. It's surrounded by tents. It's designed for 15,000 boys. There are 3,000 attending. And the provision simply hasn't been made.

Female literacy is very low in Oruzgan province where Save the Children has a lot of work. It's right in the middle of Afghanistan. The female literacy rate is three in a thousand, meaning that three women out of every thousand have had the opportunity to go to school to learn to read; so that's quite a figure. And that interesting. It picks up on what you were saying about the refugees. Oruzgan is right in the middle of Afghanistan and it is a province which didn't have refugees. So, it didn't have people who went down the mountains into Pakistan or over the boarder and to Iran, and so it hasn't benefited from the education and the health practices that refugees picked up in the camps or Pakistan or Iran. That's quite an interesting, interesting challenge for us.

And again, picking up on what you were saying about refugees or displaced people in the urbanized areas, it's a really interesting and large issue. 37,000 children in Kabul are working on the streets; 37,000. That's a very large number. And they're doing it -- they're living with their families. One very strong point about

Afghanistan is the number of children who are not living with their extended family is very small, compared to many other countries. But they're working and they're working for economic reasons. Their families need them to go out and earn typically about a dollar a day in various activities that they're undertaking. So, there've been some successes, but there's still a very long way to go.

And if you look back over the last 10 years, look back to September 2000. So September 2000, what happened in September 2000? September 2000 you had what was certainly then, and I think may still be the world's largest ever gathering of heads of state, the Millennium Summit, where the world was committed to meeting the Millennium Development goals. So the Millennium Development Summit, the Millennium Development goals. And they committed to the world to meet these goals.

Now, essentially, money has not been a limiting factor in Afghanistan over the last 10 years. We know that. I mean, there's been a lot of money that's gone to Afghanistan. How many of the Millennium Development goals are going to be met in Afghanistan by 2015? None. None are going to be met.

So there's been money that's gone into Afghanistan but we're not hitting it. Why is that? Why do I think that's the case? I think there are a number of reasons for it. One is I think that an awful lot of the development assistance has been used -- the allocation of the development assistance has been allocated on the basis of security, imperative of security requirements and further development requirements. Now, I've been saying I am in no position at all to say whether it's been successful in security terms. It's not my area of expertise. I couldn't tell you if spending the money in the way that it has been spent has resulted in security objectives being met. I do know that it has not resulted in development objectives being met, and it has distorted the way that funding has happened.

In fiscal 2009/2010, 77 percent of the U.S. Government's funding in Afghanistan went to the south and east. Now, if you look at some of the provinces in the South Kandahar, as a good example, the poverty rates in Kandahar are quite high but they're 30 percent. They're just about 30 percent in Kandahar. Kandahar has received a lot of assistance.

If you look at somewhere like Bamiyan, as I was talking about earlier, they've got poverty rates in Bamiyan that's about 60 percent and are receiving much less overseas assistance. So, as a development agency, we would argue very strongly that development assistance should be predicated on development needs, and that hasn't always been the case in Afghanistan.

I've got a credit from the recent report from the Foreign Relations Committee. Constant demand for immediate results prevents the implementation of programs that could have met long-term goals and would now be bearing fruit, and I think there is some truth in that. I mean, I think there's been a tendency to try to have short quick wins in order to get some immediate results without thinking through the long-term strategic engagement.

Money is being spent badly. There has been malfeasance; there has been incompetence. There's been, as those of you who have watched Afghanistan -- no, those of you who've read about Afghanistan -- the corruption in Afghanistan is corrosive, top to bottom, and it's a constant reality in working in Afghanistan. But, I mean, again, in a European Parliament report recently, most of the raised money is not due to -- it's not a consequence to the Afghan government, due to corruption in the Afghan government, but is due to waste duplication over invoicing, excessive and unnecessary expenses for consultancy and security.

I think it's probably important to say that that's quite a European

prospective, and one of the things that I can say, as Country Director who takes money from a variety of different sources, about 40 percent of our funding is U.S. Government funding and the balance, 60 percent, is from other donors.

The scrutiny of U.S. Government funding is far more rigorous than the scrutiny of funding from other donors, and that's a really important point to make. And I, as Country Director, value the fact that the U.S. Government is so hot on checking on where all the dollars go because it does mean that the grants are delivered that much more effectively.

Julio and I worked together on a teacher training program in the north of Afghanistan, and I think we can say that the U.S. Government funding which was allocated for that was spent absolutely appropriately on teacher training in the north, and that's partly because of the scrutiny that was being provided.

I've only got two minutes and I've got vast numbers of things to say, of course. I mean, I can speak about Afghanistan forever.

The most important point that I want to make is that I think that Afghanistan is at an inflection point. I think that -- and it's not an inflection point because of the transition; it's not an inflection point because of the elections; it's not an inflection point because of the withdrawal of international troops. I think it's a much more interesting inflection point.

It's an inflection point where we are ready to be able to capitalize on the investment that we have made in Afghanistan over the last 10 years. One example: we are now beginning to see the girls who were going back to school, or going to school for the first time, 2001/2002, graduating from school. Next two or three years, we're going to be seeing a fairly large number of educated Afghan women coming into the labor market. And what are they going to do? They're going to be teachers; they're going to be

midwives; they're going to be nurses. And that is going to set off, I hope and trust, a virtuous cycle. Why do girls not go to school at the moment? Because there are not enough female teachers, amongst other things, but that's very often a limiting factor.

Why is it that so many women are dying in childbirth? Because there are not trained birth attendants. We now have in Afghanistan a real possibility for taking advantage of the work that we've done in the last 10 years. So, the absolutely key points that I want to get over this after, is that now is not the time to take our eye off the ball, in terms of development in Afghanistan. Now is the time, absolutely, to stay the course and to support the Afghan women and the Afghan children who otherwise would not get their education, would not be able to live a long and healthy life. So, we've got to keep working in Afghanistan on key issues of this sort.

MS. FERRIS: Thank you very much. And you will have a chance in responding to questions to --

MR. SKINNER: I understand.

MS. FERRIS: -- to cover some of your other many points.

MR. SKINNER: I understand. They're very good points, incidentally, so please do.

MS. FERRIS: Okay. We'll turn now to Kat Campbell from USAID to talk about Afghanistan.

MS. CAMPBELL: Thanks. I'm glad David went first because I think he has helped us -- I think he made it very clear that we face a lot of challenges. But it's really important for us to look back to where we were 10 years ago and understand that we really have -- in Afghanistan I should say -- has made huge progress. And knowing that, it should give us inspiration and commitment to stay the course, as David has said, because we really do face some big challenges going forward and they're going to be

different types of challenges than we've faced in the past. Some of them will be the same, like security, probably, but there are other things that are going to happen.

I guess I feel like, now, in Afghanistan, we've really got this challenge of getting Afghanistan on the right trajectory for sustainability of the economy, for sustainability of the society, for sustainability in governance issues, and we'd been relying on high aid levels in the past to do that, and these are not sustainable. We all know that. I think that's pretty much accepted.

So, the Government is going to have to come up with a way to raise revenue. And to do that, it is going to have to be supportive of inclusive and an equitable economic growth. We need to see the government fostering and then maintaining an enabling environment for that type of growth, and it's going to be able to have the ability to provide these services, to fund these services, the infrastructure, et cetera, that a lot of which is now in place. And it's also going to need a society that can hold that government accountable for those tasks and has the capacity and the health and the education and the skills to engage and create that economy. So, that's a great set of agenda to have.

We have a lot of different challenges that are going to confront that; security not being the least. Humanitarian concerns -- the exogenous shock that Afghanistan could face like drought -- could really throw that off track, not to mention, yes, the food security and the humanitarian side of that, but the importance of agriculture -- some 85 percent of the population relies on agriculture for their subsistence in one way or another. If there's a drought, the entire economy is impacted: the local traders, the people, the government revenues from exports go down. So, this is a huge challenge that we will undoubtedly face in the next few years, if not immediately.

But the transition to security lead, which you've all been, I'm sure,

reading about and hearing about also really raises two other key challenges. One is the economic impact of the military drawdown, and the other is the likely decrease in foreign assistance overall, both military and civilian, in the wake of that military drawdown.

The World Bank is going to be releasing a big report hopefully this month that will really explore and tease out the impact of those two events, or those two likely challenges that it will have on poverty in Afghanistan, on the fiscal sustainability in Afghanistan, and that's going to be very helpful. But we already know that the impact is going to be big.

Afghanistan has had quite remarkable growth over the past 10 years, about eight or nine percent, on average. And they are estimating that that growth rate will go down to maybe five percent annual growth, maybe two percent, maybe even no growth at all for the next few years, all because of the impact of the military not spending its money there, not doing as much assistance, and what they think is the likely decline in foreign assistance. So that's all quite sobering.

But there are some things we can do, the international community can do, we can all do to try and address that thing and help Afghanistan sort of get on or stay on the trajectory that it's on now. One of them is for us to think about how we can really best support the government of Afghanistan in leading the prioritization and supporting them to make the policy reforms that are needed. Those are both really critical.

Afghanistan has already laid out its priorities. It has an Afghan national development strategy. It has national priority programs that it laid out last year, and that it's further refining now. But with decreases in aid they're probably going to have to make more choices about what gets funded first and what we can wait on, and those are going to be really difficult. Is it funding community health workers or is it funding a dam that will help for irrigation and agriculture and also power up the street lamps in Kabul or the

hospital or the Ministry of Public Health? You know, those are tough choices that they're going to have to make and we're all going to have to make. And there aren't really any obvious answers about which one goes first. And there are tensions between producing results quickly and producing the capacity to lead and to fund in the future and to manage and sustain the services and the infrastructure. So, those are real tensions.

And the government has also made clear its commitment to an economic growth that is driven by the private sector, but that's going to require a lot of policy reforms that are really challenging to make, even with the best of will. There's a lot of vested interest in Afghanistan and everywhere that don't want to see those reforms, and they just take a lot of political and human capacity to make those happen. So, we all need to be really thinking about how we can support them and incentivize the government to do that.

We're looking forward to Bonn Conference in early December to hear from the government of Afghanistan so that we can start really supporting them and aligning with them a bit further.

One of the other things that we can think about is how do we increase the local content of our assistance? And, you know, in trying to figure out what the economic impact was going to be of the decreasing military presence and possible declines in assistance.

It was a real struggle to find out how much of our money or the international community's money actually gets spent in Afghanistan, and there have been some estimates and more will come out. I think the World Bank is trying to come up with an estimate. Some estimates put the local content of off-budget development assistance at as low as 20 percent, which isn't great. And it wouldn't surprise you to hear that money that is spent on budget and through local systems is quite a bit more; 70 percent,

80 percent, depends where you're spending it on what, whether they're having to import things, et cetera.

So, quite apart from the arguments about spending more money through the local systems, increasing local ownership, building local capacity, helping with increase alignment, increasing cost effectiveness, we are now really understanding that increasing the local content and the use of local systems can also be a really important tool to mitigating the impact on the economy and on the people of Afghanistan of these drawdowns in both military presence and assistance. So, that's something that we're really trying to think about and move forward on.

Another area that we need to think about and, I think, really consider carefully, is how do we make sure that Afghanistan's natural resources help Afghanistan get on this sustainable trajectory and don't turn into a curse -- the natural resource curse that we've all heard about?

We've heard that there is a trillion dollars in the ground. I've even heard three trillion. I think that's somebody's typo. The important thing to think about that number and those minerals is that they're in the ground for a reason. It's because there hasn't been the security or the transport or the skills or the rule of law or the land rights, or whatever, that's been necessary to get them out of the ground. That's changing slowly.

The other thing to remember is that that trillion dollars doesn't just automatically get pocketed by the government of Afghanistan to go pay off its troops and its healthcare and its education. That number represents -- you know, if that money could just sort of magically go out into the market, if the minerals could be sold immediately on the market. The Afghan government will get a fraction of that trillion dollars, but it'll still be significant and significant enough to really be a huge assistance if it

can be managed properly.

The other thing that the mining industry promises is the development of businesses and commerce around the mines and on the corridors leading to the mines, but that also needs to be managed carefully. There are huge variables, huge risks involved. And so, we've really got to think carefully about how Afghanistan manages these things, how they negotiate these things. And Afghanistan is trying to make all the right moves. They've signed up to the EITI Initiative, which is a transparency initiative. You can actually see the contracts for the recent mines on their ministry website; quite interesting actually. But EITI, this initiative relies on transparency to help to get civil society to hold the government accountable, to hold these companies accountable, et cetera. And, as we know, civil society in Afghanistan is thinly stretched, let's say, so, we need to think about that. And we also need to think about the fact that EITI doesn't actually help ensure that the state does a good job negotiating with these companies, that it figures out, you know, what's the best deal for our country, vis-a-vis, these companies. How do we want to structure the deal so that we get a steady income going forward? These are things that are really challenging and I don't pretend to be an expert on that.

And donors are helping the ministry try and build its capacity to manage some of this stuff, but there is enormous pressure on Afghanistan because of the drawdown, because of the likely decline in assistance for them to get these minerals out on the market to get these concessions sold off. So, we need to remain very engaged for NGOs working on the ground. I would say, you know, if you're working with communities, get them to follow the money and think about what possible mineral resources are going to be sold away possibly without them realizing this information is available. But it won't stay available if there isn't a demand for it, so I think that's something we all need to

really think about. Uh-oh, she's writing her two-minute warning.

So one last concluding though, and it really dove-tails, I think, exactly with David -- and I didn't even talk to him before him, so.

MR. SKINNER: Well, we talked.

MS. CAMPBELL: But it's how do we have gradual predictable declines in assistance? And anybody -- as you probably all do -- following foreign assistance in America, knows that that's a huge challenge, but it's really clear if you look at other post-conflict societies, where foreign militaries have withdrawn that the aid drops off very quickly once the militaries have left. And where the state is sufficiently sort of cohesive and consolidated, sometimes that transition can be handled relatively smoothly. But, in cases where there's still a lot of lack of cohesiveness, maybe where there's still millions of IDPs and refugees and returnees who haven't settled where we know there's still conflict, this type of thing can lead to state collapse, and we don't need to look further than Afghanistan to know that that's happened before.

Somalia is the other horrible example. And I'm not saying that that's going to happen here, but it really is important that we manage the drawdown of this aid both in a predictable fashion and in a gradual fashion. And that, needless to say, is going to be a huge challenge for us. There are many people in the community here, in government, who think we gave Afghanistan too much money -- maybe we did -- who think that it's taken away from other developing countries. It certainly did, but if we immediately over-correct we are risking to lose really all the progress I think that we've made. So, just something to really think about is how do we work with the entire international community to try and get that to be, you know, more of a gradual glide path, rather than this dropping off a cliff. So, that's it.

MS. FERRIS: Well, thank you very much. It's a nice image to end on,

dropping off a cliff. We'll turn now to Caroline.

MS. WADHAMS: Great. Thank you, and thanks so much for having me. Thanks to all of you for coming. I'm going to talk a little bit about the bigger picture, even beyond and above just the development picture as sort of the larger U.S. policy and some of the security governance in economic challenges.

I mean, I think what we all feel, sort of, is going to be the state of affairs, at least for the next few years, if not beyond -- which makes it very difficult to predict how development can occur -- is this sense of uncertainty. I was in Afghanistan during the summer in meetings with lots of civil society and political opposition. And the sense -- and I'm sure you're picking up on this as well -- but the fear expressed by many Afghans is palpable. There's just a sense of, you know, where is our country going? You're abandoning us. We're going to be a narcoterrorist state. We're going to civil war -- just this fear that were constantly hearing. I think that there is just a real sense of uncertainty.

And I'm going to basically talk about what I see as sort of three transitions that are occurring simultaneously right now and will occur over the next few years. There is the official NATO transition which -- if you look actually deeply at what that is, there is very little content in that transition. There is a security handover, but largely, there is no content to it. Nothing much is actually changing on the ground. It's sort of a symbolic transfer to Afghan leadership. And especially on the civilian side and the economic side, there is very, very little contact. You don't know necessarily what happens with the Provincial Reconstruction team. Nothing really changes in terms of who's governing a certain area or who has control over budgets. I mean, nothing is really changing in the official transition.

But I do believe that there are three transitions happening. The first is that there is the military drawdown, and it's real and it's happening. And we met with

General Allen this summer. He was still, at that point, trying to figure out where they were going to drawdown the troops from. But there was an order and those troops had to come out and he was trying to figure out what the plan was, where they were going to get those 10,000. The 33,000 troops will come out by September 2012. There will be 66,000 troops remaining in country, and we've already heard discussions in the press that there are -- now the administration is asking for plans on what the drawdown will look like beyond those surge of troops which will come out.

So, I very much think that this is happening, that the withdrawal is very, very real. And, clearly, that will have large impacts on -- I mean, first of all, the security; but then, also, there is a -- I think, just the sense of -- it feeds certain perceptions about who's the winner, who's the loser, who do you side with, which could be potentially destabilizing. I think that beyond 2014 we just don't know what that troop presence will look like. And, I think a lot of it will be determined by the strategic partnership agreement which is being negotiated right now. And then the subsequent SOFA, Strategic Forces Agreement -- Status of Forces Agreement document after that, which will then determine the troops levels, but a lot of it will be up for debate. And I think you have a number of other countries like Pakistan and Iran who are resistant to a long-term -- and China and Russia -- resistant to a long-term military presence.

So, I don't think we really know what that troop presence beyond 2014 is going to look like, and we don't really have a sense beyond this initial withdrawal of troops through September of 33,000. We don't know how fast the withdrawal will be beyond that, so real uncertainty.

The second transition I see is this financial drawdown which Kat referred to. I think it's pretty clear that some of the financialists, the development assistance, will drawdown. What will also happen is that so much of the military contracts, the logistics

contracts, the protection for convoys that are associated with the military footprint, those are going to decline. And so, what I think is probably most interesting to try to think through is how will that affect the political economy questions?

There've been a lot of people who have gotten quite rich, a lot of Afghans who have gotten quite rich, through protecting these convoys. For example, (inaudible) in Oruzgan or, you know, Commander Raziq in Kandahar. What happens when some of those contracts dry up and where do they seek alternative sources of funding? How does that change who has power in certain communities?

So, the World Bank report that Kat referred to -- I think what has been interesting -- I've just sort of heard initial reports about that -- it seems thus far, from the research, they don't see a huge -- they were concerned, I think, when they initially went into the research that there was going to be basically a recession that would be the result of the financial drawdown. What they found is that, probably because of the low multiplier effect, the low local content of U.S. assistance and international assistance, it's actually not going to be as significant on the economic growth. But where it will have impact is on the political economy questions, and how does that change patronage and corruption and all of that.

And then, I also think, with the financial drawdown -- I mean, if you think about the Afghan National Security Forces, which they're estimating will cost about, you know, five or six billion per year indefinitely beyond 2014, I think there is a real fear that that requirement crowds out all the other needs. So you're just not going to have as much development assistance for the infrastructure building because you're -- five to six billion per year; that's a lot to ask the U.S. taxpayer or anybody else, and to add on top of that is going to be difficult to sustain politically.

I think the third and final transition I see is the political transition which,

again -- so we're seeing military drawdown, the economic drawdown and then a political transition, all of which are sort of exacerbating the uncertainty. And in the political transition, it's really just that. In 2014, when Afghans are supposed to be in the lead of their security, is also when there is a presidential election.

President Karzai, according to the Constitution, is supposed to hand power over to another legitimately elected Afghan leader. Given the 2009 elections for president and the 2010 parliamentary elections, which were hugely problematic -- fraud and all of the rest, exclusion of different groups -- there is a real fear that this election will be, again -- it has the potential to ignite further violence.

There does not appear, looking at this from the outside, there does not appear to be a lot of political will by the Afghan government or, frankly, by the international community to push for major electoral reform that would make the elections better, to push for some of the political reforms that would get at the grievances that is driving some parts of the insurgency, so there's going to be a real political problem. We're facing it now. But if there's another election again like we've seen in 2014, or even -- 2013, there's supposed to be provincial council elections -- this could be quite dangerous.

So, beyond these transitions, I think what I'm seeing when I'm sort of talking to U.S. Government officials and people in the Obama Administration -- and you see this also in the press -- is that there is now, I think, a widespread recognition that the status quo in Afghanistan and the current strategy -- training Afghan National Security Forces, weakening the insurgency through military force -- that is not going to get us to a sustainable outcome in 2014 or beyond.

And you see now, I think, the administration making a shift and basically recognizing that the ANSF is not going to be strong enough by 2014 and the insurgency

is not going to be weak enough for there to be a match there. There is such a mismatch in these things that there has got to be another way to get to peace. And so, the way that they're now looking at it is a much, much greater emphasis on a political settlement. And it's very much in the initial stages, and so it's very difficult to predict whether it has the ability to have any legs, but that will clearly be a determinant of whether there is long-term security because, I mean, my sense, and I think what the administration sees is that we're not going to get there from here. Where we are now, even if the institutions are a little bit stronger -- the ANSF is a little bigger -- it's not going to be a peaceful outcome.

So, what you see with the administration is now they're doing a great push on Pakistan basically saying, "Okay, guys, you don't have to conduct full military operations in North Waziristan, but at least bring the Haqqani Network and others to the negotiating table so we can start figuring out how to accommodate these different interests."

It's too early to tell, but I -- and then you see, again, the administration also trying to get more regional buy-in through the Silk Road Initiative, trying to create these sort of positive incentives for different countries not to spoil Afghanistan, not to spoil whatever is created. So, you see a shift, and I think we don't know yet where that's going. But clearly it makes it almost impossible to predict where we'll be in a few years. But, I mean, the trajectory right now is I don't think a positive one. Hopefully there can be some good movement toward some kind of settlement at the local level or nationally, but we just don't know. I'll leave it there.

MS. FERRIS: Thank you very much, and thanks to all three of you. I think your presentations complimented each other quite well. We have about 34 minutes for questions and comments. And if it's okay, we'll take several at a time and then give you a chance to respond. So we'll start with this. One, two, three will stay on the isle. If

you could identify yourself, please?

MR. RUBENSTEIN: Hi. I'm Lynn Rubenstein from Johns Hopkins. This is a question for Kat. I'd like to understand exactly what U.S. policy is on the drawdown, and I want to focus on health because in health we've had enormous progress. It never was anticipated that the money spent would be sustainable by the Afghan government when this was initiated. And we also know that, in fragile states, everybody says you can't have the money leave when the war ends. So what is the plan of the administration with respect to continued funding, rather than -- it's more specific than saying they'll be a drawdown.

MS. FERRIS: That's an easy question you can think about as we move to this woman here. Just wait for the microphone.

MS. BURNISKE: Thanks. Yeah. Do we identify ourselves?

MS. FERRIS: Yes, could you, please?

MS. BURNISKE: Okay. Andrea Burniske, also a colleague from Save the Children. As somebody who's spent time in the neighboring country, Tajikistan, and so I'm a little familiar with Afghan issues from the perspective as a neighbor, and also five years in Colombia. I'm really interested in the impact and the dynamics of the drug trade on the insurgency and what kind of impacts that's going to have on the prospects for stability in Afghanistan.

MS. FERRIS: Thank you very much. And you, sir?

MR. ALTMAN: Hi. I'm Fred Altman, and my question is seeing we're negotiating with the insurgents and the Taliban, et cetera, and they're likely to have considerable influence once we withdraw, what interest do they have in the development? What parts of it are they likely to support? I don't think they'll support the education of women but besides that what would they support?

MS. FERRIS: Thank you. And we'll take this gentleman here and then we'll have a chance for response.

MR. HAMIDI: Thank you. My name is Mohamed Hamidi. I'm working for Voice of America. Actually, I'm hosting the Economy Under Construction programs for Voice of America for Afghanistan. And, I just want to know that one of the major concerns for Afghan people are the functioning of the NGOs in their country. We just want to talk about, specifically, about the 10 years past that the portion of funds that the NGOs receive, Afghan people mostly believe that are not spent in the right path, because most of them, they spend in their own expenses. Only small or tiny portions of the amount have been forwarded to construction of their projects.

Now, I want to just know one of your gentlemen, particularly Mr. David that was working as an NGO, Save the Children, that, what is your evaluation of the functioning NGOs in Afghanistan? Thank you, sir.

MS. FERRIS: Okay, it's a lot of questions. Would you like to start, Kat, with the question on U.S. policy, or any other questions you want to address?

MS. CAMPBELL: Well, I'm not going to tell you what the U.S. policy is on the drawdown because that's not really something I'm comfortable talking about. But I can tell you -- I mean, very generally, I guess your question is what about the sustainability of the health system that we have been a large part of setting up.

I think one answer is that they are exploring -- well, one answer is that the Ministry of Health is seen as a very inspiring example of a place where we started 10 years ago, building a capacity from the get-go, and they are actually managing this health system now. They are managing the health system that's reaching 87 percent, I think you said. People have access to primary healthcare and they're, you know, managing international NGO contracts, et cetera.

How are they going to continue funding that? Well, I mean, I think one answer is that eventually they're probably hoping they won't have to fund international NGOs, but they'll have these girls who are graduating from high school now who will become nurses, et cetera. I also know that they are exploring ways to get some sort of cost recovery. And, you know, I don't think that there's likely to be a full cost recovery in Afghanistan going forward for quite some time, but it is something that they're trying to explore.

The other issue -- and this is why I said, you know, the Afghan government and the international community really has to think about it -- is we're going to have to prioritize. And while there is clearly a need for, you know, more hospitals and more students and more school buildings, there is also a need for all the schools and the primary healthcare clinics to be maintained and operated and wages paid. So, you know, we're going to have to make some of those really difficult choices.

And, you know, the money -- USAID's budget is already gone down from last year. So, you know, these are discussions that have to be, I think, led by the Ministry of Health, led by the Afghan government, but they are things that we're talking about a lot.

And the other, sort of in a bigger picture, that's kind of what I was saying. The primary challenge, or at least one of the key challenges, is how to get the Afghan government's revenue up. Now, their revenue has been increasing quite significantly from zero, essentially, or from very, very low 10 years ago, but there's a lot more that needs to be done to have that revenue to continue to go up. They have to create a better environment so that there is more private sector activity in the country. They need to do more trade, et cetera, and they need to develop the mineral resources. All of these things can help contribute to and increased revenue flow to the Afghan government. But

make no mistake; it's going to be a real challenge.

MS. FERRIS: Thank you. We have questions on drugs, on Taliban and development and on NGOs and what percentage of the funds is getting to the people. Who would like to start?

MS. WADHAMS: I mean, I can talk a little bit about the drugs, but I think most of these are really directed towards you and Kat. I mean, just in terms of the drug trade -- I mean, my sense is that the drug trade, yes, is fueling the insurgency but it's also fueling the corruption on the government side. I mean, the drug trade is benefitting all sorts of actors within Afghanistan. I mean, my sense is the Afghan government is as complicit in that as the insurgency is.

There has been a shift by the Obama Administration in the way that it's dealing with it. It's not doing as much eradication of the poppy on the farm and trying to do the introduction of the high level and the laboratories, which I think has been the right shift, but it's so pervasive. So, I think I'll leave it there.

MR. SKINNER: I'll pick up on the negotiation of the Taliban points and the NGO point. Before that, I wanted to just think about the drawdown in funding. And, Professor Rutherford who got the Nobel Prize for splitting the atom did his research in New Zealand, as many of you may know, and New Zealand is not famous for having large amounts of research funding. And he has scrawled on his wall a point which I've got scrawled on my wall in Afghanistan, and it's, "If we don't have the money, we'll just have to think." And I think that's something which we're going to have to do in Afghanistan. As the funding comes down, it will force us to be more creative and to be more focused, and I think that's something which will be a good discipline for all of us.

Negotiations with the Taliban -- what interest does the Taliban have in development? I mean, if I were to be the advisor to the Taliban and negotiate -- if I was

sort of sitting in the (inaudible) and they say, "David, what's the one thing that we could do to increase our position," I would say, "Stand up and say we support girl's education," because I think, the minute they do that, then all sorts of issues would change.

And I think that what we find working in the communities is that there are very, very, very few Afghan parents who don't want health facilities for their children and who don't want education for their children. Now, they want education for their girls in certain circumstances. They don't want their daughters to walk for two hours to a misogynistic countryside to get to school. I don't want my daughter to walk for two hours to a misogynistic countryside to go to school. They want there to be female teachers. They want there to be latrines at the school. They want the schools to be close.

And I think that communities value education. They value health. And the Taliban at the end has a political need to be supported in the communities. So, I actually believe that for many of the basic social services, those will continue. And I think it's a different kind of situation than we were in 10, 12 years ago. Maybe I'm being naively optimistic but I do believe that.

Your point about NGOs; I think a number of points there. First of all, organizations like Save the Children are bringing funding into Afghanistan, which would not otherwise be coming. So, each year, at the moment, there is a million dollars coming in from chartered sponsorship programs, which are where individuals around the world are putting their own money into Save the Children and a million dollars a year is coming into Afghanistan. Our annual budget is about 45 million, to give you a perspective on this.

At the moment, as well, about \$2 million a year is coming in from a corporate sponsorship we have with Bvlgari, the jewelers. It's fantastic going into the Bvlgari shops, as Country Director for Afghanistan, because it's all part of their corporate

campaign, and so it's great walking in. It's the only time I've ever been into a Bvlgari shop.

So, international NGOs such as Save the Children and others as well are mobilizing resources which come into Afghanistan. And the money that is mobilized that way is often very interesting money because it's money that we can use on innovative projects. It's money that we work with the government to look at where there are gaps and we try to build that.

In terms of the government grants, international NGOs, I think, are pretty good value for money; I would say that, but I mean, I do. And I think there are two reasons for that. One is that we have very few international staff. As I said, there are thousands of staff working for Save the Children in Afghanistan; 15 of those are international. The others are all Afghans, and so that funding all stays in Afghanistan. So, my salary does go to pay for my wife and my children, I admit that, but the vast majority of that funding stays in Afghanistan.

And, the other point about international NGOs, as well, is that we don't use security companies, so we're not spending a lot of money on security because all of our activities are done through acceptance. So, if the Afghanistan communities are working and want us to be there, we're there. If they don't want us to be there, we're not. And we don't have armed guards. We don't have security services. And that's right across, even in places like Kandahar and Oruzgan, which is very difficult, very difficult in security environments.

So, I would say that international NGOs are actually pretty good value for money, and I would think that the amount of money that leaves Afghanistan -- me paying for my children -- is more than offset actually by the money that we mobilize from outside of Afghanistan to bring in.

MS. FERRIS: Thank you. Let's take another round of questions. Here we go; one, two, three, four, five, okay. And then we'll move toward the back.

SAID: Thank you very much. Thanks for the presentation. It's very informative. My name is Said. I am from the Embassy of Afghanistan. I have a question about the NGOs and also about the Afghanistan National Army -- or -- Afghanistan National Security Forces. I think they pretty much knew about the Afghanistan National Security Forces. We started building the Afghanistan National Security Force at the end of 2008, and we are basically just kind of like trying to put them into more practice and make them operational and put them along side the coalition force and the NATO forces.

Every time that we see, for example, the casualties that the NATO forces or the coalition force sustains, they are one, two, three of Afghan National Security Forces too. And also, we shouldn't forget that we are aiming for a pretty large army that's going to face, largely, 30,000 insurgents. The number of the Taliban are not greater than the number of the national police or the national security forces. If they are capable with the equipment that they are right now, and if the training will continue as they are right now, I'm sure they are going to be capable of, like, fighting the insurgents. They are not a conventional force, the Taliban or Al-Qaeda; they are just small groups. I'm sure they are going to be able to take it, hopefully. That's what we are hopeful about.

But one question about the NGO that -- right now, we have basically rented houses for \$20,000, \$30,000, \$40,000, even \$100,000, and we are actually paying Afghans who used to work, for example, for Ministry of Education and Ministry of Higher Education, taught in the medical universities or Kabul universities or any other universities -- basically encouraging them and attracting them towards the NGOs and paying them lots of money, basically, compared to -- for example, I used to work with American forces when I was in Afghanistan. I made more than a medical professor,

literally. I mean, like -- of course, now, those people are no longer working for the government, and the government is basically in the hands of a bunch of people that basically -- they can't get job at the NGO.

I'm sure Mr. David receives hundreds of resumes in a day. There is an NGO; it's called (inaudible). They are collecting resumes. Every day you go there, there is a line of educated people. It's young educated people that are waiting to get a job. They sometimes stay unemployed for six months or a year to just get a job in NGO rather than going to work for a government. And how we are creating this environment for the people competing with the government that -- "Okay, don't work for \$100 or \$150. If you get a job or if you are qualified, while you are very much more effective than you are working for the U.N., but we are going to pay you \$1,000 or \$2,000 and you're basically better off." And how would you kind of avoid that after 2014 when you withdraw? Because with the withdrawal of the NATO forces, there's going to be a lot of drawdown in the NGOs, and also a lot of grants that are going to be cut off from the State Department. And how are we going to kind of, like, have those people who are going to be unemployed back inserted to the government? Thank you.

MS. FERRIS: Thank you.

MR. METROKA: Hi. My name is (inaudible) Metroka. I'm a visiting fellow of Johns Hopkins (inaudible), and also I'm former bureau chief for Japanese Public Broadcasting, and I got questions for maybe -- this is for Kathleen. The State Department is now leading their plan in a new (inaudible) role, which is kind of a regional economic integration, which could help, (inaudible) Afghanistan. So, what is a benefit to - - good point of this plan? Also, what are your challenges that you face? Thank you very much.

MS. FERRIS: Thank you. And we'll have the gentleman right behind

you.

SPEAKER: Hi there, and thank you. This has been a very informative presentation. I'm a grad student at Georgetown. And to piggy-back on your point, sir, I've read that part of the reason there's such a substantial force in the Afghan Army after U.S. withdrawal is partly because of employment. It builds skills and it occupies young men who otherwise can be a little bit problematic. So, as the years go by and the forces are downgraded, if this is the case, what amount of funding is going to be freed up by that transition for other projects, development projects? Thank you.

MS. FERRIS: Thank you very much. And we'll take this gentleman. Oh, I'm sorry, one and then two.

DR. NISACHA: Yes. I'm Dr. Nisacha with the Pakistan-American League. It was good to really listen to Mr. Skinner's very optimistic notes, and at the same time, from Kathleen Campbell. I mean, all the remarks she gave, and everybody else, nobody said nothing about the future of Afghanistan. Nobody can say this is the picture which we'll develop.

You should understand that Afghans have their own history and culture and they always fight. If they don't fight with the people from outside, then they start fighting with each other. And when the Soviets left, they never stopped fighting. The Afghans (inaudible) the objective.

I think the stability of Pakistan and Afghanistan is inter-dependence. And fortunately, Hillary Clinton, the Secretary of State was there recently and there had been good developments. And because (inaudible) group Pakistan has been asked to work on negotiator, open up line with the representatives, and (inaudible) group has put the condition that they would like to include (inaudible) negotiate. And (inaudible) has started generating signals that they are willing to go for the education of (inaudible), so these are

positive developments. But the solution of the problem will not be (inaudible) at all. It has to be a political solution. It has to be politics of incorporating those people, disarming those people from fighting, because they should get the right message.

In Kabul, there is a civil society and they have their good reasons. But in the (inaudible), it's a tribal society and it had been a tribal society since centuries. To transform a tribal society into a civil society, it could take decades and decades. And the real solution has to be constant and consistent in (inaudible) and working with the people of Afghanistan. And to bring this thing to a closure to a political solution by incorporating those who are armed and dangerous in anyway. Until they come back into the mainstream, that I think -- for that matter -- both countries, U.S.A., as well as Afghan government, has taken such initiatives. And let's hope and pray for the best so that Afghan becomes a country (inaudible), it's worth living, worth living and there is stability and peace; everybody wants it.

And even the Afghanis are tired of this fighting. Even the Taliban are tired of this fighting and everybody is tired of this fighting. Everybody is really stuck in this part, whether it's Pakistan, whether it's NATO, whether it's USA, whether it's Taliban. And the time has arrived to take this kind of initiative where these dialects can be initiated, and that will be very helpful. That's all I have.

MS. FERRIS: Thank you very much.

DR. NISACHA: Thank you.

MS. FERRIS: Thank you. And this gentleman over here.

MR. HERSHEY: Bob Hershey. I'm a consultant. To what extent is the internet being used to try and get more transparency in this to make decisions on how money is spent and how funding is collected from local sources towards these objectives so that everybody can see what's happening and be satisfied with it?

MS. FERRIS: Okay. Why don't we take two more and then give you a chance to kind of wrap things up. We'll take this gentleman here in the back. Anybody else? Yeah, right here, yes.

MR. ASMAJIT: This question is not particularly directed towards nobody specific.

MS. FERRIS: Can you introduce yourself?

MR. ASMAJIT: Oh, yeah. I'm Don Asmajit. . I'm from Islamic Relief USA. All of you mentioned that there needs to be a certain increase towards a trajectory in Afghanistan with particular programs, infrastructure. And you guys mentioned Somalia too. And through Islamic Relief, we've had a few restrictions through OFAC in operating in western Somalia, and even in territories that weren't necessarily controlled by Al-Shabab.

Even with this 10th anniversary that's already approached, does OFAC still play any role in determining any decisions regarding increase in funding?

MS. FERRIS: All right. Thank you. And right here; yes?

MS. PHILLIPS-BROSS: Okay. Hi. Kate Phillips-Bros with the International Rescue Committee. My question is a little bit on the resources, but also in the current climate and context we find ourselves here in Washington and what that means for the way forward. We're seeing a decline in resources right as we're going to see a decline in resources across the board for everything just because the current financial situation and the debates in Congress.

I'm wondering if, you know, going forward, if there's a way to capture this really critical moment where there still is attention to Afghanistan, and there are resources, whether it's through channeling more things through trust funds or whatnots, so that we can capture that attention and hopefully combine it with the thinking and have

money and thinking at the same time. Because I take your point, David. You quoted a very salient message in the Senate Foreign Relations Committee Report is that we've been pushing development timelines at a totally unreasonable pace and expecting to see outcomes in just short, short intervals, along which we were just setting ourselves up for failure. So, Kat, is there a way that we could see less, maybe bilateral direct assistance and more concentrated through things like the ARFT so that we can fund ministries to strengthen ministries, have a decent amount of resources along a timeline where we can expect to actually see realistic sustainable results.

MS. FERRIS: Thank you. And the last one will be the gentleman in the very back, and then I'll give you all a chance to respond.

MR. JOCOVSKI: I'm Brian Joczovski from Mercy Corps. Just quickly before I ask my question to the issues of what NGOs and that debate in Afghanistan; in terms of the cost and the amount of resources that are repatriated it's important to distinguish among the different organizations that are considered NGOs. You know, in the current debate in Afghanistan, everybody seems to be lumped together, and there's a vast difference between, say, the U.N. and their pay scales and resources, private contractors, for profit, development agencies, international NGOs and, in fact, Afghan NGOs, and all the different actors that are involved in this. So, in that debate, it's important to look at those details when one discusses this.

In terms of my question; success and sustainability in Afghanistan is going to be dependent on the ability to transition in the capacity of the Afghanistan government to actually assume its responsibilities. And I'm curious, Kat, if you could talk about how the U.S. Government, NAID, are approaching that major challenge. You've referenced it, and maybe if you could go into a little more detail.

David, maybe from the NGO perspective, how you work in building

capacity in your programs. And then Caroline, kind of looking from your perspective at the military transition and the political transition, what you're seeing in terms of development in terms of the Afghanistan government and its ability to ascend some of those responsibilities. Thanks.

MS. FERRIS: Thank you very much. A variety of questions here, including the impact of jobs, regional economic integration, how much money to be saved from the drawdown, prospects for a political solution, use of the internet, possibility of using other alternatives such as trust funds, the capacity of the African-Afghan government and so on. Why don't we start with you, David?

MR. SKINNER: Sure, sure, sure. I think the first point is -- I think it's important to do all we can to be optimistic about Afghanistan. I'm picking up some of your points. I am optimistic about Afghanistan. I don't underestimate the difficulties that are facing Afghanistan, but I think Afghanistan has strong communities, resilient communities. And I think that it is possible to map a success for Afghanistan over the next 5, 10, 15 years. It's going to be extraordinarily difficult. But if we don't try and imagine success, it's not going to happen. But I think that it's very, very important that we do imagine success in Afghanistan, and that those of us who are working on Afghanistan try and all the time be optimistic.

I think there are some very real challenges, and I think actually distortion in the salary market is a very real one.

Every month I lose staff to U.N. organizations, to the U.S. Government and to other agencies who are able to pay far more than international NGOs. I actually lose staff to ministries where staff are getting salary supplements, as well. So, I mean, there are many civil servants who are kept in the ministries because of salary supplements. But you're right. I mean, the salary structures in Afghanistan are nuts;

they are all over the place. And one of the things that is going to be quite difficult as the transition happens is the realignment of salary structures, so that they work on an actual basis and that the things work appropriately. So, I think that's very important.

And in terms of what we're doing in order to build capacity, I think that that works at three levels. And the first is that I think the work that we, along with what everybody else is doing in terms of education, generally, is building capacity in Afghanistan. And I would argue that that is the second most sustainable thing that any of us is doing. The first most sustainable thing is ensuring that children live beyond the age of five, because then they're going to live for 40, 50 years, and that's a pretty good sustainability, and then getting education; because once children are educated, that stays in the economy. That stays in Afghanistan. And I think education is a really important part of sustainability; first part.

Second; we do a lot of work with national NGOs to build their capacity. It's something that we take a very real responsibility for. And so, when we are working with national NGOs, we're supporting them on their finance, on their HR, on their programmatic expertise, on their ability to raise funds, actually. So, we work with national NGOs to support them to raise funds from international donors, and so on, which I think is an important part of what we're doing.

And then, thirdly, as I've alluded to before, many of the staff who work in Save the Children go on to work elsewhere. And actually, if you look at the cabinet in Afghanistan, if you look at the ministers in Afghanistan, almost all of them, or very many of them have had some experience in NGOs in the past. I think that's quite an interesting point in terms of capacity.

I'll finish just on the internet, actually. Internet penetration rates in Afghanistan are four percent, so the internet is very significant, and an increasingly

significant part of communication amongst the urban elite, if you like, in Afghanistan, but it is still very much a minority activity.

But you're right; in terms of building up civil society's ability to hold the Afghanistan government to account, the internet is going to be an extremely powerful tool. But it is, at the moment, one confined to the urban elite in Afghanistan. So, in terms of getting political, an inclusive political holding to account of Afghanistan institutions across the country, there's going to have to be other mechanisms to doing that, and those are going to be the kinds of mechanisms we're using elsewhere in terms of community monitoring of projects and community understanding of local government budgets and so on, which is not going to be able to be done through the internet. That's going to have to be done through other mechanisms. But it's an extremely important issue.

MS. FERRIS: Thank you. Kat, would you like to jump in?

MS. CAMPBELL: Just to follow up on that, I think that that's right. I mean, the internet has a role, interestingly -- and I'm not very conversant with these issues, but I understand that mobile phone technology is being upgraded, almost as we speak, that will allow a lot more data transmission over the phone. So, that 50 percent of the population that is already using phones will then have much better access. And I should say that 85 percent of the population is actually within range of cell phone technology, so it has a lot of potential. But, I think it's going to take some time and we'll see how the phones are.

Let's see; New Silk Road: I think Caroline mentioned that it's a vision, sort of, of regional integration that basically have Afghanistan in an important place in there. And I think the idea for -- you know, the idea is that Afghanistan really needs, one, its land law. So, it needs to trade in order to get its products anywhere, and that it also --

we also, as Caroline mentioned -- you know, the region has to buy into Afghanistan's stability as well. We can't have regional spoilers, if you will. And so, I think the idea is this is how this region could really work together to the benefit of all of the countries.

There are loads of challenges. I mean, some of the projects that are put out there as possibilities have been tried for many years, you know, have fits and starts. Others are almost complete. The ring road is 85 percent completed. So, you know -- and I think that the remaining 15 percent, or whatever it is, is funded, essentially, so it will happen.

There are a lot of ideas out there, but the general idea is that this is a region that needs to be better integrated. It needs to be better integrated for Afghanistan's sake and it needs to be better integrated for the benefit of all the countries in the region.

Money will be one of the big challenges, but trade barriers are another. And, you know, political reforms, economic reforms in Afghanistan and in surrounding countries are another, so there's a lot of work to be done. But I think the idea is that there's -- you know, there is a vision out there. And I agree with David; we've got to -- you know, you've got to be realistic, but you've got to try and always be thinking about what is possible.

Kat asked about how we can capture money now for later. You know, the U.S. Government made a commitment last year to put 50 percent of our money on budget, and we are trying. I mean, that was one of the points I was trying to make is really trying to think about how can we increase the use of local systems. The money that we put in, you know, how can we either give it directly to the Afghan government or give it to the ARTF. Obviously, there are lots of concerns about accountability, though I've just heard about a World Bank report recently that said, you know, there's no more

concern of corruption going through local systems or through the Afghan government than there are going through any other system, so that's an interesting finding.

So, you know, I think the ARTF is a reasonably good mechanism, and we are committed to reaching that 50 percent. And now that the Kabul bank issue, and hopefully the IMF deal is going to be agreed upon, you know, we'll probably get a little bit more back on track on that, and I think other donors, as well, so hopefully that is one way to do it.

There was also a question about, you know, what is the U.S. trying to do in terms of building the capacity of the government to take on its responsibilities, and I think part of that is, literally, capacity building of government ministries, you know, supporting the Ministry of Mines so that they can better manage, et cetera, the exploitation of the natural resources, Ministry of Health, Ministry of Education, et cetera. Putting money through those ministries or into the ARFT to be used how the government of Afghanistan determines I think is another important way. And another way is really figuring out and working with the Afghan government to figure out how they can increase their revenue so that they can step up to the other big challenge, which is them eventually funding a lot of these activities, the services, the ongoing maintenance, operations of maintenance of infrastructure.

And so, you know, a lot of our activities -- you know, we have spent money on power, on electricity, and it really wasn't just so that David would have lights outside his office, though that is part of it. But, you know, the stable power sources is a key need for private investment. The businesses can't operate if the power goes off four times a day or, you know, erratically. So there's a pretty clear correlation between the availability of power and economic growth.

So we're trying to think about these things as well. And I think trying to

support the Afghan government as they're trying to figure out how do they increase their revenue, whether it's through customs or taxes, et cetera. And there are all sorts of U.S. Government agencies working with different parts of the Afghan government to explore those things. Yeah.

MS. FERRIS: Okay. Caroline, last word?

MS. WADHAMS: Well, we're over our time but maybe I'll just quickly say that, in terms of the political settlement, political transition, I mean, my sense is that, the current political system is actually fundamentally flawed, driving grievances for the insurgency, but then, also, creating deep disillusion even within the loyal opposition.

I mean, talking to people in Afghanistan -- there just seems like there is legitimacy crises at hand, and that if you're serious about a political strategy in Afghanistan, you're thinking about the political settlement and discussions with insurgents and discussions internally, but you're also simultaneously thinking about political reform to deal with, basically, a system that was set up in bond that is over-centralized.

There is no accountability, no checks and balances. There's no access for people to channel their grievances, their interest into the political system. It's just so top-down in a system that's not -- I mean, with a political history that doesn't match.

And the administration and, I think, the international community has not figured out how to effectively use its leverage to sort of push forward both a political reform agenda and a political settlement -- they seem to be doing the political settlement more -- that may be able to start driving a political reform process. But the political reform process has been largely off the map.

So, again, I'm hoping that that's where the administration is going, recognizing that the current strategy is not going to lead us anywhere, but we're not seeing right now, at least by the Karzai government -- despite commitments made at

Kabul Conference and other forums -- a desire to push through some of the political changes that I think most people would recognize probably need to occur for the system to be more sustainable, inclusive, accountable, all that.

MS. FERRIS: Well, thank you very much. Thank all of you for coming, and especially for our panelists for their observations.

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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