

## **CERP AS A BUDGET**

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*The views expressed herein are the authors' own views and are not necessarily those of the United States Department of State, the United States Army or the United States Government.*

### **Executive Summary**

In Afghanistan, corruption and poor governance are widely acknowledged deterrents to progress toward our national security objectives. In our year in the four eastern provinces of Nangarhar, Nuristan, Kunar and Laghman (N2KL), the many Afghans we engaged identified poor governance as their top concern, not the insurgency. Insurgents predictably exploited this negative sentiment. We found that the application of Commander's Emergency Response Program (CERP) funds to create local development budgets ("CERP-as-a-Budget") improved government processes, increased transparency, and curtailed corruption and waste. Collectively, these effects helped train and legitimize local governments, laying the groundwork for a more credible and sustainable partnership with the Afghan people and their government on the front lines of the war against al-Qaeda, Taliban and other extremists.

### **"CERP as a Budget" Defined**

CERP is our most flexible funding to effect local governance and development in Afghanistan. "CERP-as-a-Budget" is the use of CERP funds as a virtual budget to ensure that local government and constituent communities take responsibility for planning and executing development projects transparently. By way of a simple analogy (and not comparison), if you tell your teenage daughter she has one hundred dollars to spend at the mall, she will shop quite differently than if you tell her you'll buy her ten things. In the end, you will save money and your daughter may learn to plan and prioritize needs versus wants.

In Afghanistan, CERP funds have generally been applied by Provincial Reconstruction Teams (PRTs) and combat units to fund local development projects up to a million dollars, such as schools, roads, and canals. Under "CERP-as-a-Budget," we identified, at the Brigade level, a notional sum of CERP funds that we were prepared to spend for each province or district within our area of responsibility for a given fiscal quarter. We then informed provincial and district government officials, community development groups and constituent communities that they could plan projects based on those notional sums. Normal CERP procedures still obtained: we controlled the money the entire time and projects ultimately were approved on an individual basis through the CERP vetting process. We required local officials to work with their constituent communities and together identify development priorities based on their "budget" and consistent with the strategic plans from applicable national ministries. In a show of transparency, we broadcast the "budget" amount via radio so that all community members knew the sums available. We found this was critical to reducing corruption and any perceptions the U.S. government was complicit with corrupt practices.

Our specific objective was to ensure local officials had some resources to carry out their responsibilities as outlined in the (then draft) Afghan Sub-National Governance Policy, and thereby legitimize the state at the provincial, district and sub-district levels – setting the stage for transition. We emphasized to our Afghan counterparts that our funds were intended to assist with development based on the real needs of the local communities and catalyze local governance so the Afghans would be ready to stand on their own when the Afghan processes took hold. Gradually, we would phase out our funding as Afghan revenue streams and administrative processes came on line. "CERP-as-a-Budget" was therefore complementary to national budget processes, and not a substitute for them.

In order to create an environment that rewarded progress, we correlated our budget authorizations for each district and provincial line ministry to clearly understood and published metrics. Local Afghans had long complained of how many of the most insecure areas appeared to get the largest amount of development funding. In many cases, this was true. In our “CERP-as-a-Budget” program, we instead rewarded the more secure and less corrupt districts with a larger budget. Since the budget amounts were advertised across the entire area, the local Afghans knew that better security and better governance meant increased funding. We quickly found this was an efficient and effective way to encourage local Afghans involvement with their government.

We did not employ all our CERP funds under “CERP-as-a-Budget.” We maintained a notional pool as a “Counterinsurgency (COIN) Safety Net,” to ensure Commanders had the discretion to use CERP as it had been intended from the outset: for small, quick-impact projects that created immediate benefits for our COIN campaign. This ensured Commanders retained necessary flexibility even as they steered the bulk of their assistance into the broader governance initiative.

### **From CERP to “CERP-as-a-Budget”**

“CERP-as-a-Budget” emerged from our assessment that “point to point” development assistance – the rapid but disconnected responses of individual Coalition units to the myriad requests for specific projects from diverse Afghan interlocutors – was now diminishing in effectiveness. New conditions called for a new approach that would transition from “our response” to “Afghan responsibility.” To explain the basis for our assessment, it is helpful to review Coalition Forces’ application of CERP in the context of the emergence of the post-Taliban Afghan state and economy.

When Coalition Forces first entered Afghanistan in 2001, our soldiers and civilians encountered one of the world’s poorest countries and lands devastated by war and neglect. The Coalition’s initial strategy was to build basic infrastructure as rapidly as possible to expand security and prosperity and give the nascent Islamic Republic of Afghanistan a chance to rise from the waste of the Taliban years. Toward that end, our military and civilian PRTs and our national development programs were driven by output metrics –how many Afghan requests we met, how many projects we initiated, how much money we spent (our “burn rate”) and how quickly we moved. While our development agencies also sought to assist the Afghan government with long-term objectives, such programs were not necessarily synchronized with those of the security assistance campaign.

The Coalition’s early investments paid notable dividends: Afghanistan’s road and bridge network expanded rapidly, health care, education and agriculture all improved markedly from abysmal baselines. These infrastructure and other improvements in N2KL allowed the strategically situated Jalalabad to emerge as a vibrant sub-regional economic hub that tapped into regional trade, boosted by a combination of the proliferation of affordable products and communications technology in Asia and the massive influx of cash and capital generated by the Coalition’s presence. Even smaller towns such as Laghman provincial capital Mehtar Lam experienced increased prosperity from the expanded flow of goods and services. Meanwhile, in Kabul, our Afghan partners produced a constitution, conducted representative elections, and began to construct a post-Taliban social and political order.

Unfortunately, the emergence of a resilient insurgency started to erode some of these gains, particularly in the south and east, while an under-resourced and under-capacitated Afghan government struggled to meet the considerable expectations of its people. There are many reasons the insurgency gained traction, but the Afghan government’s failure to deliver basic services consistently to a great many communities outside Kabul, and the perception of rising corruption and patronage, raised questions of legitimacy and gave rise to grievances insurgents easily exploited.

In our view, the most significant aspect of “governance” in a conflict zone is the process by which officials allocate resources to provide basic services for their constituents. In Afghanistan, provincial and district governments were effectively broke (setting aside revenues obtained by extrajudicial or non-transparent means). As a unitary state, the Afghan government by design aggregated resources in Kabul then distributed them through “line ministries” to the periphery. Provincial officials we encountered often did not understand how to access funds from the central government, while district governments had no discernible program budgets and there was no formal government below district level. Moreover, under Afghan law, districts and villages had no taxation authority and thus could not legally generate revenue to pay for services. For example, the Khogyani district administration was expected to provide services for 41 villages with no funding.

Governors, whose very positions were based on historical precedent but were not specifically accounted for in the new state’s architecture, had no formal place in the national budget process. Governors had no transparent funds available to them to pay for service provision. In short, local government structures (excepting municipalities) relied entirely on the central government largesse, of which they received little, if any. Government appeared to most Afghans to exist only to pay salaries to government officials, most of whom received their appointments through Kabul-based politicking (and salaries were generally paid whether officials worked or not).

Recognizing these capacity issues, over the years the central government, the Coalition and international partners organized a number of semi-representative local entities – provincial development councils (PDCs), district development assemblies (DDAs), community development councils (CDCs) and other “shuras” – to represent communities in decisions about how to absorb infusions of international development assistance. These entities had their merits, but were often swiftly sidelined or co-opted by district governors and other local powerbrokers. In the case of PDCs, line ministry representatives completely ignored the mechanism because it had neither real authority or power when it had no monetary backing.

In contrast, our PRTs and non-governmental organization (NGOs) implementing partners had access to program funds that completely dwarfed Afghan government resources. This disparity predictably turned the Coalition, outside Kabul, into a near shadow government. Credible local officials without budgets simply could not compete with PRTs and NGOs in delivering services to the people, and in many cases government institutions became afterthoughts. When our Task Force arrived, locals literally queued up every morning at the gates of our forward operating bases to petition for project funding. They spent little or no time with their own officials, whom they knew could not deliver and they did not trust. One official we met in Sarkani District, Kunar Province, further complained that he could not visit constituent communities to mediate land disputes because he had to pay all taxi fares out of pocket, and he simply did not earn enough. If he sought reimbursement, he said, communities accused him of corruption.

Pundits generally cite rent-seeking police and the robust narcotics trade to highlight debilitating corruption in Afghanistan. In fact, the most pervasive graft we encountered was directly related to our own massive and ad hoc disbursement of development assistance. Over time, our output-driven approach generated negative externalities: the precipitous rise of local corruption that coincided with – and contributed to – the rising insurgency. Many local officials, businessmen and others took advantage of our good faith efforts to deliver “development” as quickly as possible by manipulating the contracting process. These opportunistic and predatory actors leveraged security and logistics challenges in order to overcharge us for services, labor and materials. They also subdivided large contracts, auctioning parts to subcontractors for considerable profits. Many colluded with security firms, and sometimes insurgents, to create insecurity that drove up protection fees. They exploited the lack of institutional continuity and synchronization between civilian and military efforts, as well as insufficient coordination between the Coalition, Afghan ministries, the United Nations, NGOs and other “stakeholders” – sometimes even charging multiple organizations for the same work. In some cases, they “taxed” our development

assistance through creative means, such as charging licensing fees for construction, in violation of U.S. bilateral agreements with the central government.

As a result of this pervasive corruption, when Task Force Mountain Warrior arrived in eastern Afghanistan midway through 2009, we found in many cases, our development assistance as implemented alienated the very communities we intended to support. We unsustainably inflated local economies and created tensions between the corrupt actors benefiting from our projects and those left out – the Afghan people. Worse, our attempts to give as much credit as possible to the Afghan government and minimize our own profile backfired. For years Commanders and civilian counterparts appropriately made sure that Afghan officials received most of the credit for the debut of projects at splashy “ribbon-cutting” ceremonies, and we always broadcast the officials’ pro-Coalition speeches afterward. It was not lost on the Afghan public that we stood side-by-side with the very people who were stealing from the Coalition and depriving communities of the full benefit of our assistance. Many Afghans, we found, were mad at their government – and at us for aiding and abetting this local corruption. They came to view us as naïve at best, and as “co-conspirators” at worst.

For example, in the remote Waygal, a capillary valley off the contested Pech, in Kunar province, we learned Coalition Forces paid nearly two hundred thousand dollars for a modest school, with no provisions for such back-end support as teachers, books, or recurring maintenance charges. Construction costs for such projects, we learned, often ran as much as ten times what charities like Greg Mortenson’s Central Asia Institute paid. On a combat foot patrol in the Waygal, we asked locals whether we – and they – had gotten our money’s worth, and they smiled sympathetically and pointed to a palatial private estate on a nearby rise, built by the contractor who was tied to the district governor, to show us where the bulk of our money had been diverted. The people, who admitted they were affiliated with the insurgent group Hezb-i Islami – Gulbuddin (HIG), told us that they did not know why we allowed such profiteering, when so many more could benefit from our assistance. They said, essentially, ‘we hear a lot about development, but the only development we see is the contractor’s house.’

Our typical response to these accusations was denial and disbelief. We expected the local Afghans to appreciate what we were doing for them and, if a contractor was at fault, to tell us about the corrupt practices. Unfortunately, we put our trust in local Afghan leaders without a checks and balances system (other than “the honor system”) to ensure they were held accountable. Afghan politicians were in the perfect situation: we gave Afghan leaders credit for every good deed and they passed the blame for anything that went wrong. Whether it was corruption, shoddy work or a failure to complete a project on “the list,” the Afghan leader would deflect criticism by telling the locals he made the military aware of the problems, but could not be expected to control the Americans, all the while benefiting from the graft that infuriated the locals.

In addition to corruption, we found other problems with “point to point” development assistance. Due to the rapid rotation of our troops and civilians – military personnel on PRTs are in country nine months only, while combat troops and civilians often left after one year – we learned that we had nearly 800 open projects – more than we could possibly finish or adequately assess for quality. This left the countryside littered with incomplete, redundant, or poorly crafted “legacy” projects – and unmet promises to communities. We even discovered a “bridge to nowhere” in the Northern Kunar, where farmers on the opposite side of a river refused to allow access to the bridge after it was completed.

In light of all this, it was readily apparent we had to reduce haphazard spending, hold Afghan leaders accountable and build Afghan government capacity if we wanted to transition from U.S. to Afghan control. We responded by applying “CERP-as-a-Budget.”

## **“CERP-as-a-Budget” Effects**

Our new application of CERP produced immediate, positive effects. First, it exposed corrupt officials because it disrupted the cozy relationship between local officials and contractors, who previously set the terms of the bid submissions. When we announced CERP budgets publicly, communities helped “price discovery,” revealing we had indeed been overpaying. It quickly became clear which officials were working for the people, and which ones were lining their own pockets. For example, in Manogai District, in the contested Pech Valley, the corrupt district governor tried to block the budget process. Community elders held a secret meeting, taped it, and complained to the provincial governor. Faced with the evidence and the people’s ire, the provincial governor courageously dismissed the offending official. This responsiveness greatly strengthened local government legitimacy, as the elders rallied around the deputy district governor, who stepped in to manage after the corrupt official was removed. The elders had a renewed voice in local development. Suddenly, the community felt both empowered and more interested in connecting to their provincial and national government – exactly what we needed to advance counterterrorism and counterinsurgency objectives.

Additionally, the budget process helped credible local officials and communities plan and govern. Locals stopped queuing up at our bases for assistance and approached their government and other community representatives. Together they worked through the contracting process transparently. At the provincial level, development-related meetings were better attended, and some of the more credible ministries promptly delivered services for their communities – such as a new water tank for a hospital in Kunar (based on careful planning from the line minister for health). In Nangarhar, for the first time, the PDC met regularly, produced agendas, voted on development proposals and recorded decisions for the press.

The budget consultations also slowed the flow of “aid” substantially due to natural bureaucratic processes, which helped bring local expectations more in line with fiscal realities – a necessary precondition for transition, when the Afghan government will have to more efficiently allocate its own meager resources for development. We “spent less and got more.” In one quarter, CERP spending in our area of responsibility declined from USD 34 million to USD 4 million year-on-year, and we cancelled several hundred legacy projects. Even as we reduced spending, we witnessed decidedly greater community interest, participation and engagement with their government in nearly all provincial capitals and districts where “CERP-as-a-Budget” was effectively implemented.

Finally, as part of our “COIN Safety Net,” we encouraged what we called “cash for work” – small-scale, community identified and labor intensive work. This not only immediately boosted local employment, but also provided communities direct ownership of their own development through their own sweat equity. Hundreds of small projects were produced for little more than the cost of labor and supplies, eliminating much contractor overhead and opportunities for graft. In one case, in Achin district, a community built a brick and mortar meeting hall for less than five thousand dollars, when similar structures built through large contractors almost certainly would have cost much more. All of these community-identified projects were completed quickly – in a matter of two to three weeks – eliminating the “legacy” problem we had encountered with larger projects. They also directly served counterinsurgency objectives, such as providing local employment during peak “fighting season.”

## **Challenges**

Despite the overall positive effect of the “CERP-as-a-Budget” program, we did face challenges during implementation. Once the local Afghans confirmed the extent of the corruption and the culpability of their local administrations, there was an immediate backlash against several Afghan district governors. Some of the most corrupt leaders were rendered ineffective, but since they were appointed in Kabul and

there was no mechanism to remove them, we were forced to work with (and try to reform) them. When notoriously corrupt leaders were not removed, the “Americans” were implicated for maintaining the corrupt status quo. Also, we soon found that many local Afghan leaders, and the contractors they consorted with, were working to find ways around the budget system. We controlled the budget and the process, so we were able to maintain full oversight, but we were consistently at odds with government officials who were previously unchecked. The first time we encountered a local government leader who was trying to validate a project beneficial to himself, we counseled him in private. Second offenses earned the guilty Afghan official a public admonishment – these instances did become more rare over time. Finally, we didn’t control all of the development funding that was being spent in our area. Local Afghan leaders and contractors quickly sought NGO and other USG funding that did not have the same constraints. A smaller \$50k budget in a district with poor leadership and security issues did not hold the same incentive if another organization was spending several hundred thousand dollars in the same area.

## **Conclusion**

In an ideological insurgency, demonstrable economic development does not necessarily correlate to improved security. Rather, the contest is for legitimacy – which hinges on expectations and authenticity. The top problem we encountered in eastern Afghanistan was the population’s ambivalence toward their local government because they expected it to deliver basic services, and it could not. They did not want the Taliban, but they were frustrated with their local officials – and us – for not delivering benefits commensurate with our widely-advertised expenditures. “We know you are spending billions here,” we heard from many different tribal elders, “but it does not reach us.”

Overall, through “CERP-as-a-Budget,” we found a mechanism to reconnect the government and the people, while reducing our overall expenditures by tens of millions of dollars. We increased transparency, improved government processes, and curtailed opportunities for local corruption and waste; this had a profound impact on our interactions with the population. It started to legitimize local governance, as people began to see the possibilities with a responsive government. As communities started to tackle corruption locally, they applauded our willingness to address their concerns and in a number of cases pledged to work against the insurgency – yielding progress toward our own national security objectives through partnership, not dependency.

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