

Kabul Funding Dispute Escalates

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Frustration over Kabul-Kandahar highway cash leads authorities to issue “funding ultimatum”

Government frustration at the lack of progress over the rebuilding of the nation’s crumbling roads has boiled over into an apparent showdown with a major donor.

The authorities have spoken about the need to do something about the deteriorating transport infrastructure for the past six months, yet not a yard of road has been laid.

The finance minister Ashraf Ghani strongly criticised the Asia Development Bank, ADB, for its apparent refusal to fund a new highway between Kabul and Kandahar, at a meeting on July 5, two independent diplomatic sources have said.

“Ghani told them either to change their minds or quit the country,” said one source present at the meeting.

Expulsion of the ADB - a long-standing development bank with massive funds and a good reputation in the international aid community - would be a drastic step. However, the government is under increasing pressure to deliver to a population that has yet to see any real benefit from six months of peace.

“I will go in very strongly with donors who have pledged their money,” said President Hamed Karzai after he was elected at the recent Loya Jirga. “I especially want to rebuild this country’s highways and I will not accept any excuses. The level of aid received is minimal in comparison to that promised.”

The key issue in the ADB dispute has been how donors will deliver aid, and under what conditions. The bank’s spokesman Salim Qayyoom told IWPR that it is allocating 200 million US dollars to help Afghanistan this year. Three quarters is in soft loans and the remainder in grants. Much of the former was earmarked to build the Kabul-Kandahar highway.

However, the government has set itself firmly against using loans to fund reconstruction. One of the diplomats at the July 5 meeting quoted Karzai as saying there were two reasons for this. Firstly, that the international community had promised him that the money for the roads project would be non-refundable. And secondly, as the president put it, “Afghanistan is not in a position to pay back loans, even over periods of 20 or 30 years”.

ADB’s allocation of direct grants is dictated by its major donor, the Japan Fund for Poverty Reduction, which supports the provision of such funds for the construction of “feeder roads” from villages into major road networks. But observers said the ADB did not consider roads between major cities to fall into that category.

The bank’s official position is that there was no dispute. “I categorically deny there was any disagreement (with the government). We had a discussion and it went very well. We explained very clearly everything,” said Qayyoom.

However, while the ADB has stuck to its position that it cannot fund the Kabul-Kandahar highway with

grants, Qayyoom said that after the July 5 meeting the bank opened discussions with the government about providing money for a different highway.

“Finally, we agreed we will spend some of this money from the poverty reduction programme, with the agreement of the Japanese, on the Kandahar-Spin Boldak road,” he said. The highway, which runs south to the Pakistan border and represents the main commercial route to Afghanistan’s neighbour, is in appalling condition.

The Swedish International Development Authority is currently funding a study on how best to rebuild the road from Kabul through Jalalabad to Toorkham, another major frontier crossing.

An Asian diplomat told IWPR that several proposals have been mooted for the road. According to one scheme, the European Union will fund the whole project but the World Bank has also suggested that it be divided into three sections and allocated to three separate building agencies.

The roads issue is particularly sensitive because it is the Afghan government’s top priority and it mirrors a pattern common among many reconstruction projects - a proliferation of feasibility studies and surveys creating a picture of bewildering complexity even for insiders, with little or no action.

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