

Draft of Working Paper, for DHSA Forum on Cash-for-Work Initiatives

In 2008 a consortium of highly-respected NGOs working in Afghanistan released a report on the state of aid efficiency and donor aid effectiveness in Afghanistan. With Matt Waldman, OXFAM's Head of Policy in Afghanistan, as principle author, the report concluded unequivocally that a large part of non-military foreign aid to Afghanistan had been wasted. Contrary to perceptions that most of the waste in Afghanistan is internal, the ACBAR Report on Aid Effectiveness in Afghanistan, as the report was known, laid the much larger part of the problem on multiple layers of subcontracting which through which numerous companies would subcontract projects or parts of projects to other companies, sometimes with corporate ties to the awardee, The level of profit-taking was found by the researchers to be as high as 40% - 50% . Moreover, it is well-known that little of reconstruction assistance is passed down through the Afghan government and its line ministries, giving many projects the aspect of an "alien landing" where those politically accountable to the people are not the ones doing the work, but often a foreign contractor which packs up and leaves afterwards. Goals and policy might be set in coordination with the Afghan government and its departments at a high level, but accountability for how projects are actually implemented is a step removed. In the end, foreign contractors have their own sets of constituents and business imperatives, often having little to do with the priority of needs of the vast majority of poor Afghans.

This paper and the form of reconstruction project it describes, labor-intensive, easily supervised and managed undertakings which require a minimum of technical expertise and capital equipment, is a response to the problems highlighted in the ACBAR report. This response provides a theoretical framework putting forth the advantages of cash-for-work, which have already proven successful in parts of the country. History has no shortage of examples backing the presumption that programs which infuse cash and capital into a devastated economy work in the long run, most notable of which is of course the Marshall Plan, during which most reconstruction work was done by Europeans themselves. Foreign

assistance consisted mostly of supplies, food, and wages administered by the Economic Cooperation Administration (ECA,) signed into law by President Truman in 1948. As it is well-known, the Marshall Plan was a phenomenal success, and laid the groundwork for dynamic economic growth in Europe and a stable economic partnership with the U.S. Previously hostile Germany became a staunch political ally. In the political belief system prevalent in the West which emphasizes the free market's ability system to enable a people to "pull themselves up by their bootstraps," the Marshall Plan was the "straps." There was nothing organic about it: most Europeans had nothing after the war, as most Afghans have now, and the help came from outside, funded largely by the United States. It ceased after just four years, and Europe walked on its own. In prescribing the Marshall Plan in his famous speech at a Harvard Commencement in 1947, as hunger and violence increased across Europe and the communists made political gains, Secretary of State George Marshall remarked that "the patient is sinking while the doctors deliberate."

It is helpful to note that during the course of the Marshall Plan about \$560 per European was spent per year over the course of four years. In contrast, in adjusted dollars, about \$60 per person, per year has so far been invested in Afghanistan, with much of that being recycled out of the country, from one western bank account to another, without ever passing through a single Afghan hand.

It is also important to note frankly before proceeding further what is little-reported in the Western media, that life for the vast majority of Afghans remains as utterly miserable as the day the bombing stopped, first Russian, then American. Images do not make it into western newspapers of blind elderly and crippled children begging on the street, in legions. The media does not report that two-thirds to three-quarters of the country has no easy access to safe drinking water, that sewage runs in open trenches across Kabul, and that one out of five children dies before the age of five from preventable disease or chronic malnutrition. The western media tends to focus on firefights and factions, with its lens in the air following helicopters and planes. The sheer misery on the ground below which feeds the conflict is never beamed into American living rooms.

What is Cash-for-Work?

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

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

A. Transparency

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

B. Efficiency

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

Where technicians with higher skills are required in cash-for-works projects, such as a road expert or surveyors, they should serve as much as possible as capacity-builders. Work experience as well is a form of capacity-building, and leadership skills can be identified in the ranks of work crew leaders. To reiterate, efficiency in cash-for-work means social efficiency, since before the next stage of economic development can take place everybody must be able to eat, and save small capital. Raising the food security and income security of the lowest on the income scale raises the security of all.

C. Manageability

Manageability in the cash-for-work context refers to the ease of managing a project both in its planning and in its management in the field. The clearing of canals or irrigation ways requires large amounts of manpower but little in the way of engineering skills. Thus these are an example of projects which are easy to plan before workers are actually hired in the field. In addition, these kinds of shovel and handsaw projects are amenable to "flat" organization charts, as one field supervisor can as easily manage ten work crews of ten men each as five crews of ten. Complexity of projects is low, compared to, for example,

raising a steel and concrete building, which requires many specialized subsets of skills employed in a certain order, necessitating an experienced project manager or project managers. Organizational charts for these types of projects are more pyramid-shaped than flat. One project manager cannot as easily manage the raising of three buildings as one. Each requires its own subsets of skilled teams, devoted to that project. Thus the organization chart is not "flat," i.e. the ratio of "chiefs" to "Indians" is higher, as they say..

Another aspect of manageability is ease of audit, i.e. monitoring, which, because little capital expense is involved and expenses consist almost entirely of labor plus modestly-priced work tools (compared to capital machinery), the product of the number of worker on-site times the wage will yield roughly the budget. This is a strong selling point to the donor agency. Among project choices, cash-for-work is among the easiest for any donor agency inspectors to literally see where the money is going.

Methods of Payment to Work Crews

As the name cash-for-work implies, wages in cash-for-work projects may be paid in cash, under a voucher scheme, or any other arrangement deemed best. Scrip may be issued which merchants in local markets can redeem for Afghans at certain locations. In this portion of this working paper we especially welcome the input of the community of development professionals with experience with work-for-cash projects in the field. With respect to other work-for-cash project literature, the World Bank presentation "Work for Cash Project Implementation" suggests discussion of post office accounts and open assembly. Cash-for-work paid by the day as the unit of payroll takes into account life's uncertainties, and insures that for a day's work one has been properly paid with no further accounting necessary. ("Work for Cash Project Implementation "Promoting Pro-Poor Human Development: The Role of Safety Nets, March, 2007," <http://info.worldbank.org/etools/docs/library/239455/Day2PS3pujaworkfor%20cash.pdf>)

Some conclusions

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

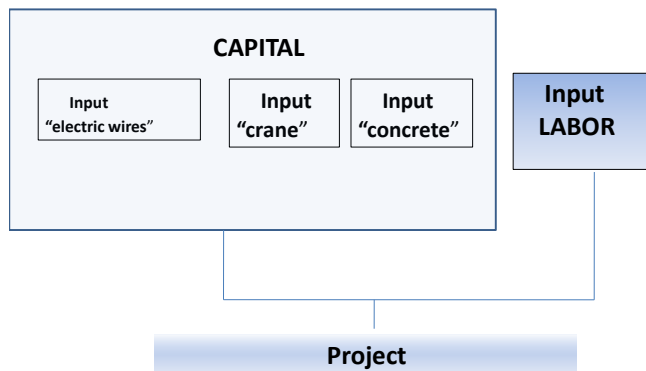
The WPA (Works Progress Administration) program lifted the United States out of the Great Depression early in the last century. In this program millions of men were employed by the government in building roads, dams, and other projects which the emphasis was to provide jobs. It was recognized that so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

Appendix

Exhibits: "T.E.M," Transparency, Efficiency, Manageability

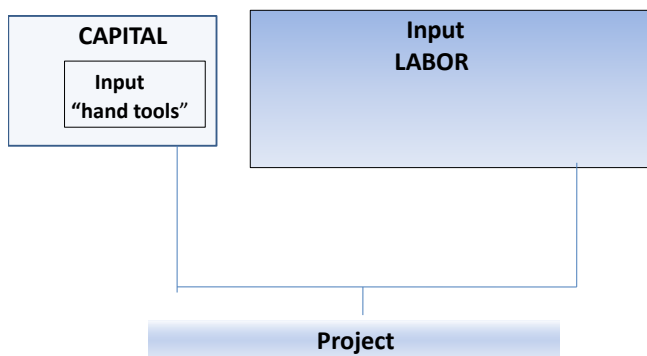
1) Transparency Illustration A

"Transparency": Capital-Heavy Project

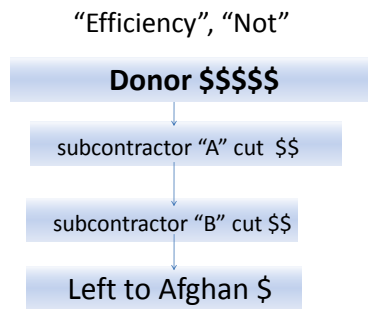


2) Transparency Illustration B

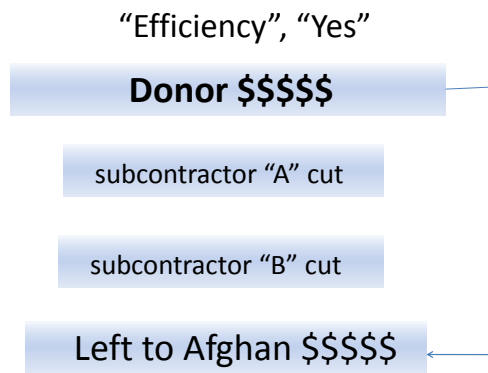
"Transparency": Labor-Heavy Project



3) Efficiency A

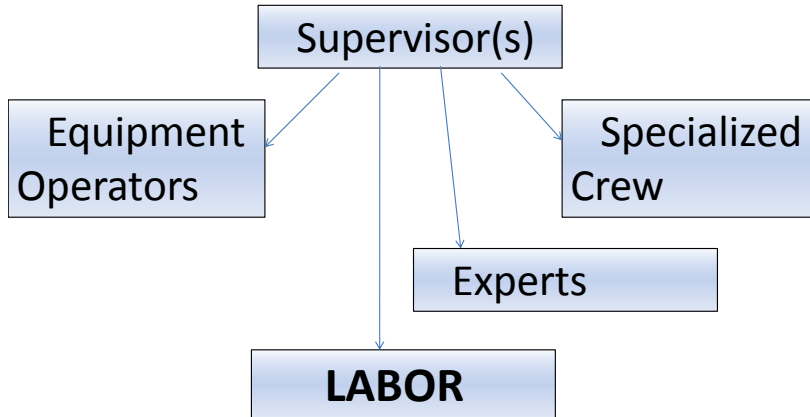


4) Efficiency B



5) Manageability A

“Manageability”: Complex Project



6) Manageability B

