

CHASING HUMANITARIAN ORGANIZATIONS OUT OF AFGHANISTAN

At first, when I read this story describing how Hamid Karzai's government is insisting that a bunch of security contractors pay back taxes before he'll recertify them to work in Afghanistan, I thought it was just out of a desire to get rid of contractors.

The Afghan government issued its unexpected tax demand last month, at the same time it made all current security company licenses expire. The assessed taxes are in some cases higher than several years' worth of operating profits for the companies.

"It's not feasible for us to pay such a large bill. We wouldn't be able to continue to operate here," one security company official in Kabul said.

Until the companies pay the back taxes, they cannot apply for new security licenses or weapons permits, throwing their legal status in limbo and leaving them ineligible to bid on new contracts to protect diplomatic missions or government development projects.

But I think it may be even more complex than that.

Consider the reports of Karzai's role in calling attention to Terry Jones' Koran-burning, which in turn led to the attacks on the UN compound in Mazar-e-Sharif.

But many U.S. and other Western officials in Afghanistan say Karzai has played a more damaging role. They say that his initial statement condemning

Jones four days after the March 20 Koran burning was provocative and that it informed many Afghans of an event that was not widely known and helped mobilize public anger toward the United States.

Throughout the crisis, Karzai has repeatedly pushed the issue, calling for Jones's prosecution, even though the burning of holy books is not a crime in the United States, and for Congress to join in his condemnation.

As soon as Karzai issued his initial public condemnation, said one NATO official in Kabul, "you knew that this could really be bad."

Consider, too, how revelations about the role Kabul Bank had in the Karzai government's "vertically integrated criminal enterprise" has made donors pause before dumping more money into the corrupt cesspit.

The International Monetary Fund and a number of Western diplomats believe that the wrongdoers must be held to account in order to restore Afghans' faith in the banking system, including criminal prosecutions. However, it is unclear that the government is committed to that level of public scrutiny of those close to the presidential palace. Still, the government's official line is that those who committed the fraud will be prosecuted. "Kabul Bank is a criminal case," said Rangin Dadfar Spanta, the Afghan National Security adviser, in an interview earlier this month.

"For the interest of the financial system we have to protect the money and property of our people; in the coming days we will have more investigations; this can not be business as usual," he said.

The International Monetary Fund has

suspended its program with Afghanistan because of its dismay at the handling of banking regulation and Kabul Bank in particular, which has delayed the ability of several western donors to funnel money to the Afghan government. One is the British government which has delayed \$137 million in funds, and many others are expected to follow suit.

“The Afghans still do not have a solution to the Kabul Bank mess and they just don’t seem to realize how serious it is,” a Western diplomat said recently.

I.M.F. officials and donor countries want to see the misappropriated loans repaid out of Afghan government tax revenues – rather than through the money it gets from donors, who finance the great majority of the country’s operating budget.

And finally, consider the secondary implications for the withdrawal of security contractors: the withdrawal of humanitarian organizations (from the WSJ again).

At stake are billions of dollars in development money. Many aid organizations and U.S. Agency for International Development contractors have said they would leave Afghanistan if they can’t use private security guards—a concern that is especially acute after last week’s deadly mob attack on the United Nations compound in the city of Mazar-e-Sharif.

Development Alternatives Inc., a big subcontractor for USAID, said it would scale back its operations significantly if the security companies left Afghanistan.

“The international community is worried that if this goes through, all

construction programs, consultants—everyone working on government aid and development projects—will also be taxed,” said one private security company executive.

It’s all very neat, how an attack on one of Afghanistan’s safest cities coupled with Karzai’s insistence for big payments—called taxes—on the contractors that keep humanitarian agencies safe would contribute to aid agencies withdrawing from Afghanistan.

But it also replicates the play the Taliban used to push Western entities out of Afghanistan in the past (though with the added benefit that security contracting has since become a huge business rife with corruption). It’s just a slightly more elaborate bribe than the ones the Taliban have been demanding.

It sure seems like Karzai is upping the ante on his demand for bribes to remain our “partner” in Afghanistan.