

Afghanistan's Wartime Economy (2001-2014). The Devastating Impacts of IMF-World Bank Reforms

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This article looks at the claims of high economic growth rates since 2002/03 following the US led invasion of 2001 and argues that the actual source for economic growth has been the service sector of the Afghan economy due to the demand by the large foreign military and civilian contingents, which is not so designated by the sources reporting the growth.

The monetary measurement of this economic growth is transitional, and it has not delivered broad based economic development as claimed and yet has caused structural changes in the Afghan economy. Policy makers and foreign advisors ignored what was happening and as growth slows down with the withdrawal of foreign forces policy makers do not have alternatives to alleviate economic problems lying ahead. At the same time a whole host of other economic and social problems are ignored in a war based economy. Major policy failures are noted.

The Arguments

The World Bank web site reported that the Afghan economy experienced a 9.2% growth rate of GDP during 2003-2012 and this growth accelerated during 2012/2013 to 11.8% (14% according to the IMF), yet the rate fell to 3.6% ("despite robust agricultural production" mentioned in the April 2014 World Bank update) in 2013/2014 according to these estimates. Other sources such as the web site of the Asian Development Bank (ADB) relegated the acceleration of the growth to good harvest in 2012/2013 and the decline in the rate to not so good harvest. The following quotation covering question and answer on Afghanistan offers a better picture of the perspective by the IMF:

IMF Survey: "This is an important year for Afghanistan, how do you evaluate the overall economic performance of the country"?

Ross: The overall performance of the economy has been good. The efforts of the past 12 years have yielded benefits: inflation and debt are low and international reserves are high. Its budget is balanced after grants and its current account deficit is in small surplus after grants. Also, Afghanistan has managed to implement important structural reforms to strengthen its economic institutions. So I think a lot has been achieved, but there are still risks and vulnerabilities", (Ross- IMF representative in Kabul).

The search for arguments to explain the growth and its decline takes on different approaches. However, in all these discussions the actual source of major economic changes brought about by the war is missing.

The War in Afghanistan

The war against Afghanistan has been a major undertaking by the US and NATO. The effects of this war within the countries that have attacked Afghanistan have been much noted and discussed in terms of force casualties and expenses. The reason for ending this war seems to be the rising cost rendering the war against Afghanistan unwinnable as the US and NATO countries have declared. In Afghanistan the collective effects of the casualties of in the war and those of the losses of civilian population, as well as , the dislocation of the population and the destruction of property and the absence of activity to rebuild the areas impacted by this war and other effects that cannot be singularly measured and aggregated such as the suffering of the population during dislocations and night raids and aerial bombardments are all presently felt and will be part of the lives of many for generations to come.

Amongst these conditions as fallouts of the war, the effects of the war on the Afghan economy are also not covered in the above analyses and discussions by the organizations, essentially ignoring the impact of a massive war undertaking in a small country and its economy. The effects of rotating over 5.3 million soldiers, with 2.5 million from the US alone, representing ISAF and NATO forces heading for war in Afghanistan through the Manas air base as one area over 13 years cannot be negligible and simply cannot be ignored (1).The number of civilians that followed the invasion for various activities from more than 60 UN affiliates and other international organizations, as well as, along with well over 100,000 contractors from the US, 3,000 NGO's, countless mercenaries from DynCorp, and Blackwater as bodyguards, along with intelligence personnel, diplomats and their personnel from 50 countries and war profiteers seeking opportunities at various times that included major US corporations such as Halliburton and Bechtel and many others were added to the military forces beginning in early 2002.

These contingents brought their own agendas. It is clearly difficult, if not impossible, to estimate the full effects of the foreign military and civilian expenditures on the Afghan economy in detail. But, at the same time at the theoretical level this problem cannot be ignored, and therefore, at least a shadow aggregate expenditure flow can be inserted in the estimation of the GDP. There is no accurate account of how much the US has spent on the war and war related activities in Afghanistan. The Congressional Budget Office stated that between September 2001-June 2014 the amount of \$1.6 trillion has been budgeted for the wars in Afghanistan and Iraq, with \$1.4 trillion for the Pentagon. Separate estimates indicated the amount of \$773 billion expenditures for Afghanistan. How much of this has been spent outside Afghanistan and how much has actually entered the Afghan economy is not known (2).

Pre-invasion Economic Conditions

Assuming that the double digit growth rates have not been measured from a negative base which prevailed in 2001, they are positive developments considering the fact that in 2000/2001 Afghanistan was suffering from drought, US and UN severe economic and political sanctions, threat of starvation of over six million Afghans facing famine and much disinvestment and dissaving that had taken place during decades of war all of which had combined to create what the foreign politicians and commentators in the main media were referring to Afghanistan as a " failed state". Conditions were so bad that people had resorted to eating grass and slaughtering their live stocks in mass. Despite the sanctions Secretary of State Collin Powell announced a grant of \$43 million in May 2000 for Afghanistan to help ease the famine conditions.

New Statistical Data on the Afghan Economy Showing the Source of Growth

Most of the public and main media discussions and policy assessments on the Afghan economy are based on the statistical data and discussions derived from the institutionalized reports from the IMF, the World Bank, the ADB, and the UN, and other international organizations. Independent scholarly assessments are lacking. These organizations use the national sources of statistical and other information to carry out their assessments on each country. They also have their own in-house assessment and information generating systems and estimation models. However, this system may work fine when they are dealing with normal peace time economies, not ones with loss of their statistical data and massive war based distortions which they cannot ignore. The Afghan economy is one such case. Because of the civil war during 1992-1996 among the factions of the Northern Alliance in Kabul that caused the deaths of 70,000 residents according to ICRC which had several hospitals in the city and the destruction of public and private institutions official statistical information about Afghanistan disappeared altogether beginning in 1992.

Early in 2002 the IMF along with the resurrected Central Statistical Organization (originally called Central Statistical Office established in 1975) created new statistical data on the Afghan economy. Below statistical evidence from the **Afghanistan Statistical Yearbook** is provided to demonstrate that the service sector generates over 50% of the GDP due to the demand for services. The Table also shows the growth of this sector in recent years. These conditions are due to growing demand for services by foreign military and civilian personnel, rendering it a war based economy and its growth also depending on this factor. These factors seem to be ignored by the international financial organizations. At the same time directing attention to economic growth and arguing it is based on the agriculture sector and calling it a post invasion policy success which has brought economic prosperity based on this sector's growth implies that self-sustained economic growth once again is reestablished in the Afghan economy.

The fact is that although the agriculture sector has been the largest sector historically until recently, but, it has been proportionally contributing less to the output of the economy and its growth, except for the sub-sector dedicated to the cultivation of poppies. This line of argument also ignores the need for solving major economic problems and the danger from expected decline in the output of the service sector as the war related expenditures decline with the withdrawal of the US and NATO military. There is also the danger of minimizing major economic problems such as extreme unemployment and poverty, rampant corruption, drug production the output of which is three times the value of GDP in world markets and yet is not counted as output of the economy. The question of how such growth has coexisted with extreme unemployment for over a decade is not addressed, which clearly indicates the nature of the distorted Afghan economy.

The demand for the output of the service sector has increased as shown by the sector's absolute and relative rising shares in the GDP during the years noted in the Table I, and in fact since 2002. During the same years the GDP shares of agriculture and industry have declined, respectively, by 24% and 18.6%, whereas that of the service sector has increased by 30%. These shifts in relative shares of aggregate output show that major structural changes have been take place in the Afghan economy with more resources moving in to the service sector. The service sector has been the main engine of economic growth in the Afghan economy beginning in the post invasion year in 2002, confirming the nature of the Afghan economy as a war based economy.

Since the exhibited growth is war based and wars come to an end at some time, this kind of increase in transitional demand has serious consequences for an agrarian economy where

most of the population (60%) derive their livelihood from agricultural based economic activities. This broad development is also not acknowledged by policy makers. Consequently, they do not have policy alternatives when demand for the service sector is expected to shrink further creating loss of output leading to higher unemployment.

Table I

Sectorial Contribution as Percentage of GDP

2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Agriculture	33.6	27.7	31.4	27.76	26.98	25.45
Service Sector	38.7	44.0	43.4	48.02	47.83	50.29
(Transport& storage)				(15.15)	(15.2)	(18.21)
Industry	25.2	25.5	21.4	20.57	21.58	20.52

Source: Statistical Yearbook, (CSO), Kabul, Table 7-4, P.139, 2012-13 and earlier editions.

Poppy Cultivation

In the agriculture sector the output of poppies is not included in the above GDP data and neither is it included in the discussions of growth by the international financial organizations. In designating areas of growth in the Afghan economy in the post invasion period one would have to include the exponential growth in poppy cultivation turned into opiates which increased from using less than 8,000 hectares of prime land for cultivation in early 2001 under the Taliban government which had declared a ban on cultivation to 131,000 hectares in 2004 and to 209,000 in 2013 according to the UNDC. The international market value of this product some 6,000 tons is estimated by the UNDC to be \$68 billion with Afghanistan providing 90% of the supply with a market value of \$61.2 billion. Yet, for the Afghan economy the output of this product is not entered in estimation of the GDP and its growth. The earnings from this illegal product which uses Afghan resources which alternatively be used to grow staple crops are taken by corrupt Afghans and foreign personnel through well-established networks and laundered through informal channels and formal banks(3).

Afghan farmers receive between \$2-3 billion annually. The cost to the Afghan society is not only the opportunity costs of the resources used in this illegal business, but, the drug addiction of over 1.5 million Afghans in many parts of Afghanistan with many of them seen in Kabul at the Pulli Sokhta area. These conditions were never experienced before.

Economic Slow Down

The full effects of the expected economic changes with declining expenditures in the service sector will likely not be felt until the end of 2014 and the first quarter of 2015. However, as the above reference to the World Bank estimation of the growth rate of the GDP falling to 3.6% from a high of 11.8%, a drop of 69.5% in less than a year from 2012/2013 to 2013/2014 indicates much further decline in GDP can be expected, possibly leading to a recession as war related expenditures on the service sector decline. The World Bank had

issued an alert on what may happen earlier in 2011. But, apparently it did not bring about any new policy and a general realization of what lied ahead for the Afghan economy (4). There is no sector of the economy other than the service sector that is going through such major changes. The decline in economic growth is primarily due to the rapidity of the troop withdrawal and the shrinking of the war related expenditures. It is also interesting to note that the 20% rise in demand for the transportation services between 2011/2012 to 2012/2013 shown in Table I is indicative of the rate of withdrawal of the US and NATO military personnel and heavy weapons. The high demand for large trucks to transport heavy military weapons particularly through Pakistan has been reported, and in fact even trucks from Pakistan have benefited from this temporary increase in business between points of departure in Afghanistan and the port of Karachi.

Claims of High Growth Rates as the Source of Well-being of the Afghan People

For many years the claims that high growth rates have been the result of sound economic policies that followed the invasion of Afghanistan on October 7, 2001 and the conclusion that economic prosperity has been delivered to the Afghan people needed to be viewed with skepticisms. The monetary measurements of the growth of the GDP presented by the international financial organizations did not reflect the real side of the economy. The web site of the UNAMA the section on humanitarian assistance stated that, there are three groups that require much assistance. First, the 5.4 million people who require access to healthcare including “emergency trauma care”. Second, there are 2.2 million who are assessed “as very severely food insecure”. Third, the groups identified as having acute unmet needs are internally displaced persons from the war in the southern provinces especially requiring assistance for everything. The number of internally displaced has risen to 630,000 an increase of 124,000 in 2013 over 2012 due to the war in 20 out of 34 provinces. This is the picture of a nation in severe crisis. A total of 8.23 million Afghans inside Afghanistan are in need of the basic requirements for life and are living day to day with much economic insecurity and there are no policies for alleviating their present conditions and securing their future. The web site of the UNAMA offers the following quotation from the World Bank:

“The World Bank provided an overview of Afghanistan’s current economic outlook. Afghanistan remains extraordinarily aid-dependent. After a bumper agricultural harvest in 2012, growth slowed to an estimated 3.6 per cent in 2013, with revenue collection weakening to 9.6 per cent of gross domestic product (GDP). The latter is understood to be due both to the economic slowdown and to continued weakness in enforcement....”.

In the midst of reporting high growth rates citing agriculture as the source of growth for much of the past thirteen years, the grim picture of conditions in Afghanistan going forward is clear as well as the high dependency of the regime on foreign funding. It is also clear that given the weak fiscal structure the government which receives 90% of its expenditures from foreign assistance has no capacity to apply fiscal policy as a tool for economic stability and development. Further, monetary policy is also ineffective due to the heavily dollarized economy; monetary policy has been basically applied for exchange rate stabilization. Inflation has run from high single digit to double digit numbers over the years, eroding whatever purchasing power was created through high growth rates and at the same time increasing the level of poverty among the more than one third of the population who are below the poverty line and among the largely rural the population.

Between 27.4 and 29.4 percent of the population depending whether a population base of 30 million or a population of 28 million are assumed are in severe need. This does not mean that the rest of the population in Afghanistan is able to meet their basic needs. There is no middle income class per se to speak of, it was whipped out during decades of war, and a fraction of one percent of the population mostly warlords and corrupt officials have benefited directly from the large US funding of war and what has been called reconstruction. The indirect flow of funds working through a multiplier effect has benefited the larger population more so in the urban areas especially Kabul where much of the service sector as the source of growth has been located rather than the rural areas where 80% of the Afghans live and where poverty has increased relative to urban areas.

At the same time the successes of several areas in the service sector cannot be overlooked. The question is can these successful businesses such as four airlines, and the banking sector with 17 banks, both of which never before experienced such expansions, telecommunication, hotels, and restaurants, and small shops offering specialized local services such as tailoring, jewelry shops, and other small businesses, survive when the full expected decline in the demand for their services become reality. The answer seems to be that many of these business will be forced to close or to merge, and look for alternative sources of business, which the domestic economy does not offer. Further, international tourism cannot be revived given the ongoing war. Moreover, these businesses cannot expect government subsidies due to lack of funds to survive until they make the needed adjustments as some have suggested.

The Argument about Increasing Per Capita Income

Statements by the international financial institutions echoed by foreign and Afghan politicians arguing that per capita income has gone up in Afghanistan several fold are misleading. There are too many distortions present in the Afghan economy to accept the estimated per capita income and its growth as evidence of greater well-being among the general population.

What relevance has per capita income measurement in an economy where there is 40-65% unemployment in different parts of the country and the unemployed workers cannot find jobs at \$2 per day, while consultants and bodyguards may receive \$1,000 per day, and some 400,000 new job seekers enter the labor market annually that cannot find jobs, or where there are an estimated 2 million children between the ages of 7 and 17 working at hazardous jobs, or where there are 3 million internally displaced persons and refugees from the war particularly from the southern provinces of Kandahar, Helmand, Uruzgan, Nimroze and eastern provinces especially Konar, with little sustained support and without any likelihood of resettlement under the present conditions?

Further, it is clear that high income growth in some areas of the economy has brought highly skewed income and wealth distribution with the gainers being most notably warlords with blood of the people on their hands, and corrupt officials who have ended up with vacation villas and second homes in Dubai and Turkey and elsewhere, along with large foreign bank accounts, and have seized both private and public real property in the tune of 4.44 million jeribs (2.22 million acres) of land and real property as reported by the regime itself and by members of the Parliament. The role of warlords being paid by the US government is acknowledged even by the Pentagon in a 65 page report which revealed the fact that 'a warlord protection racket had been created' (5).

Elections

At the end of 2014 after the longest war the Afghan people will be left with the warlords in their arrived positions and the policy of support for them will continue by the US for another two years until 2016. Furthermore, the continued presence of these conditions are assured by the fact that both of the leading candidates for president, Dr. Ashraf Ghani Ahmadzai and Dr. Abdullah, that faced a runoff election on June 14, 2014, have warlords on their tickets as Vice Presidents and depend on their support to win the election.

Extreme controversies about fraud have surrounded these elections and the intuitions of Parliament and the Stera Mahkama (Supreme Court) failed to look in to the controversies and claims of fraud to resolve them. But, the candidates that would not get together to solve their claims against each other as encouraged by several Afghan sources and the Afghan public, were easily brought together by the US Secretary of State John Kerry in a short visit to Kabul during the second week in July 2014. John Kerry apparently convinced them to form a 'unity' government where the loser will join the new regime after all the votes cast will be recounted by the UN. The credibility of these elections is badly damaged among the Afghan people based on the commentaries on Afghan run satellite TV programs from Kabul and newspaper coverages. How either candidate will manage to form a government that is not corrupt and reconstruct reforms to solve the problems faced by Afghanistan and the Afghan economy will remain to be seen.

These candidates did not choose to change the policies that they were involved in since 2001 in the governance of Afghanistan, with the first candidate as Minister of Foreign Affairs and the second as Minister of Finance. If they wanted to break away from the past and serve the Afghan people they should have chosen young professional Afghans as their running partners. Both of these candidates have also said they will sign the Bilateral Security Agreement (BSA), with the US, which Hamid Karzai has refused to sign, so that the US and NATO will continue to keep troops until 2016, and possibly until 2024 which the BSA document stipulates providing protection for the new regime. Thus, instead of working for peace and the solution of the present crisis continuation of the status quo seems to be guaranteed by these developments.

Continued War and Occupation

President Obama in visiting Bagram airbase in Kabul on May 25, 2014 declared the US will keep "limited" number of troops for training Afghan security forces and for fighting "counterterrorism". On May 27, he declared the US will keep 9,800 US troops between January 1, 2015 and end of 2016. Also there have been a large number of US private contractors estimated at 108,000 previously with an unknown number will be left behind. These individuals under contract with the Pentagon, the CIA, and the State Department and other agencies of the US government working for private firms have been involved in the war in different capacities. In reality, the true number of US personnel remaining in Afghanistan is not made public. On the other side the Taliban have declared they will carry on with the fight as long as foreign troops and war related personnel remain in Afghanistan. The critical question that many ask will President Obama keep his word and pull all combat troops at the end of 2016, or will he leave the door open for the next President to use the framework of the BSA to extend the war and occupation?

The CNN Poll report on 12/31/2013 on YouTube stated that the "Afghanistan War Now Least Popular US Conflict", with only 17% of the American people supporting the war whereas

82% disagreed with the war and continued occupation. According to this report one reason was that the BSA may be used to extend the war and occupation since the document extends the security agreement for the next ten years beyond 2014 and the American people feel that the next President may extend the war and occupation. Many among the Afghan people say that the BSA is a backdoor policy for continuing the war and occupation. So, among these uncertainties what lies ahead for the Afghan people and the Afghan economy?

Dependencies

Afghanistan has many dependencies that have only grown in size and dimensions through decades of war. During the last 13 years more dependencies have been added creating more problems for the people and the country. At least three types of dependencies are added since the invasion of 2001.

First, the Afghan government heavily depends on outside assistance to meet its budgetary requirements right from its formation when the government of Taliban was over thrown in November 2001 during the post invasion. If we look at the initial formation of this regime it was clear that that it depended 100% on outside assistance. Further, it is clear from the statement by the World Bank the government depends for 90% of its budgetary expenditures consisting of 'ordinary and development' expenditures on outside assistance.

Despite the growth of the economy and the introduction of taxations and revenues from international trade duties on imports and transit trade the government has not been able to meet more than 10% of its required expenditures. This is a state of continued financial crisis faced by the regime in Kabul; yet, foreign assistance cannot continue indefinitely. The regime cannot borrow because of its inability to pay back, and it cannot resort to printing money in a fragile and distorted economy already suffering from inflation.

Thus, it would seem to be forced to cut its lavish salaries for its countless "advisors", as Hamid Karzai has been keeping, countless bodyguards with zero productivity and yet highly paid for the protection of the corrupt and the warlords both in the regime and in the parliament, embassies in far out places, conferences, and above all the amount of corruption within the regime. A measure of this corruption can be established by asking these individuals to state their net worth in 2001 and also for 2014; the difference must be explained. Both the structure of taxation and enforcements require changes when there is so much capital flight and investment outside Afghanistan by the corrupt and the wealthy. However, tax enforcement requires a legitimate government with legitimate justice and enforcement mechanisms.

The government in Kabul lacks both. Changes in expenditure patterns to meet the growing priority needs of the government are also lacking. Sources of outside funding have not pursued transparency guide lines for effective control of the use of funds; instead they have insisted in allocation of funds to their own designated areas and largely outside the government control which has prompted complaints by the government. All these conditions are subject to change as the size and frequency of outside funding are being altered with the withdrawal of the foreign military. Needed reforms and support for them can only be internally generated as outside funds shrink and priorities and needs of the country continue to grow.

Second, the dependency of the economy on outside expenditures for economic growth has

to change. The needed reform to bring about broad based development to the country has to be planned on areas of comparative advantage. The future of the Afghan economy lie in the agriculture and mining sectors, both areas are underutilized. Third, is the dependency imposed by continued war and occupation policies when it is argued by the US and NATO that the country must have a large security force of 382,000 consisting of army and police forces, which Afghanistan cannot pay for itself. Instead of trying to bring peace after 13 years of fighting with failing policies the war is transitioned to these forces and the costs of keeping, training and equipping these forces to be paid by the taxpayers in the US and to a lesser degree by members of the NATO countries. As it stands the NATO summit in Chicago on May 20, 2012 committed a budget of \$4.1 billion per year until 2016, which is the year that President Obama promised to pull out the remaining US soldiers, which also coincides with another presidential election in the US, with known public feelings against the war in Afghanistan.

For the US and NATO the war in Afghanistan will come to an end at the end of 2014 according to the 2012 NATO summit. But, for the Afghan people this war will continue without any effort toward peace making. Afghanistan had a draft system for its security forces before the wars and it is clear that the country cannot afford to keep such voluntary large security force to pursue foreign imposed policies. Further, with achieving comprehensive peace such a security force will not be needed and the Armed Oppositions (both the Taliban and Hezbi Islami) have said they will help keep security; when with the end of the war a new joint security force can be formed they argue. Clearly a new arrangement is needed for neither the war can continue to be fought indefinitely and nor can the Afghan people afford to have the security forces paid by the US and NATO and submit Afghanistan's domestic and foreign policies to foreign control indefinitely compromising the country's sovereignty. The rejection of the prevailing policies by the Afghan people is in the prima fascia evidence based on the outcome of the longest war fought in Afghanistan with overwhelming force.

Corruption

Never before Afghanistan and the Afghan society had experienced such widespread and deep seated corruption than has emerged since the invasion in 2001. The system of governance has become so corrupt that it requires a complete overhaul and a restructuring with strong laws and clean hands to implement them in order to eliminate the graft, and control of major areas of the economy by the warlords and corrupt individuals among the regime and the outright demands for bribes made by members of the government from the public for carrying out their routine tasks. The principle of a private school in Kabul described to me that paying the utility bill for his school also required paying a bribe since the official collecting the revenue for the city stated, "that is for the city, where is my share"? He would not accept the payment for the utility bill without the bribe. Any form of transactions involving the public sector, judicial decisions, obtaining contracts, registering deeds, seeking job appointments and allotment of jobs, all require bribes according to many working in the system.

Two years ago Banki Milli among other sources reported that a total of \$3.9 billion were paid in bribes by the public to the officials in one year. This nearly amounted to the same annual figure of \$4 billion that was provided by the donor conference of July 2012 until 2016. It would seem that if Afghanistan can eliminate corruption the country would not need to rely on an equivalent amount of assistance to improve its economic conditions.

The Afghan economy actually may end up with positive gains in eliminating the negative externalities that corruption brings raising private and social costs. However, this is wishful thinking under the prevailing governance going forward. The donors demand from the government to eliminate corruption has fallen on deaf ears; corruption has been built in the structure of governance which the Afghan people fear will continue. The above mentioned candidates have said they will fight corruption, but, then so had Hamid Karzai many times, and one time he rhetorically said that, 'if you take it [i.e., bribe], at least do not take it to Dubai ', implying taking bribes and keeping the proceeds at home is preferred than capital flight taking place with illegally acquired funds.

Politicians in Washington undoubtedly are fully aware of these conditions. They want the BSA signed to no use for solving the prevailing problems. The document is contrary to the interest of establishing peace and it violates the sovereignty of Afghanistan. Contrary to claims by some this document has no economic policy content, it is intended for continuing the status quo with deepening economic crisis and offers no alternative policies to change course even for trying to save the economic gains that have been made in some areas. Peace and economic security are more important in Afghanistan than the claims about "terrorism", now after years of giving out disinformation the people know about this fact on the ground.

Moving among the Afghan people, reveals these facts. If the US and the West in general want to promote peace in Afghanistan then as the first step, following the exchanges of prisoners that took place recently, is to offer long term economic assistance coupled with a peace keeping international force from among the countries not involved in the invasion of the country to replace the present scheme arranged through promoting the BSA to be accompanied with cease fire. These can be followed by a peace making conference involving all parties to the conflict.

This framework has been proposed by members of the Afghan diaspora for the past several years, first, with a plan for peace posted on www.Afghanresearchsociety.org in 2008 and then posted on www.Afghanprm.org in 2010 and a summary of the proposal also posted on www.Globalresearch.ca in November 2013. The problems faced in Afghanistan require a comprehensive simultaneous solution through a peace and reform structured movement within the country supported by the international community. The Afghan society is fractured by the war and occupation policies. Removing these policies and substituting what is needed in terms of bringing peace and political stability and economic reforms to alleviate the crisis faced by the general public should be the goals.

Broadly What is Required in Afghanistan?

A well-coordinated and all inclusive strong affirmative movement toward peace making and new specific policies in many areas and most definitely about the economy are needed. New and incorruptible personnel to implement the new policies are also needed. The young generation which is increasingly educated forms the majority of the population and forms the hope for the future of Afghanistan. This young generation is anxious to work for the people and the country in different professions, and yet they are mostly unemployed.

The country requires good governance with strict laws on corruption which has eaten at the fabric of the society and economy for 13 years, never before experienced in its modern history, not even during the decade long war (1979-1989) against the former Soviet Union for there was not so much money to go around to be used as a weapon of war and in the

process creating lasting problems such as rampant corruption in Afghanistan.

The Afghan economy requires job creation for the 40-65% unemployed in different parts of the country, combating poverty, and renewed plans for rebuilding the infrastructure and resettlement of the large internally displaced persons and the refugee population. The road system the reconstruction of which was so much celebrated during 2002-2004 as a success story require much new investment due to over use by NATO supply trucks and lack of attention to maintenance.

The country needs to take care of the illegal drug production and treatments for its large (1.5 million) drug addicts, never before experienced. The present conditions imposed by war and war supported warlords and corrupt individuals do not provide the needed framework for solving these problems. The educational system needs an overhaul when over two million children do not go to school, standards of education is low in schools filled with unqualified teachers and at the higher level education dozens of private universities and institutes have been opened with 25 of them in Kabul alone which are not really qualified to grant degrees they do. There also have been many complaints by students from the southern provinces about discrimination in granting of scholarships and admittance to universities. The list of needs is long, and the details are too many for a short article.

The Afghan economy will sink further possibly facing recession in the service sector impacting the broader economy as already indicated in the decline of the growth rate of GDP which will likely accelerate later in 2014 and 2015.

There are no policy discussions by anyone to avert the coming problem and there have been no discussion on the crisis of unemployment, not even during the recent elections. The mining sector which historically has shown the existence of rich mineral resources that have been known since the 1930's, and especially after the publication of the 425 page book, Mineral Resources of Afghanistan by the Ministry of Mines in 1975 in Kabul cannot not provide short term solutions to the economic problems to fight unemployment and revenue needs of the regime.

Most of these minerals have never been exploited. However, the long run potential is great with the much sought after rare minerals, such as Lithium, being discovered in many different places in Afghanistan as this book revealed during the implementation of the First Seven Year Plan, 1976-1983. The US main media has mistakenly pointed out these minerals as new discoveries since 2002 (6). There are also large commercial deposits of iron, copper, zinc, and rare minerals (7). But, their development has always been prevented by the lack of the infrastructure such as power and transportation and large scale investment.

Washington politicians need to change the prevailing US policies; they seem to ignore what both the majority of the American and the Afghan people have been saying in polls after polls. Neither they seem to pay attention about the consequences of the policies that have been imposed on Afghanistan. At the same time the international organizations supposedly staying politically neutral have not applied their considerable involvements in Afghanistan to help change the imposed policies represent missing opportunities for them and for Afghanistan. Reading over their many documents there is hardly any discussion on the effects of the long war and its consequences.

The same is true for the documents produced for donor conferences by the Kabul regime by unqualified costly consultants, both Afghan and foreign, who had their document writing

expertise acquired elsewhere and applied these skills in writing about the Afghan economy ignoring the ground realities in Afghanistan. Conference after conference for 12 years policy failures were covered up.

These were the presentations made in the first Tokyo conference in June 2002 and again in June 2012 and in between in different capitals of the countries at war in Afghanistan. White washing the effects of this war of aggression and offering generalizations for the successes of reconstruction, which on the contrary have shown many failures, had characterized the coverage of the recent history of discussions by them. Even more drastically failed policies are the humanitarian assistance programs for the Afghan people victimized by the war. The discussions in these areas are not referenced here since the Internet has many sources available through a Google or Bing search and it serves no purpose to discuss historical documents about failed policies. For example, such gross failures are indicated in the stated objectives of the Afghanistan National Development Strategy and the Afghanistan Compact to fight unemployment and poverty among other goals, and comparing these goals with the realities demonstrated by conditions on the ground year after year for more than a decade.

Institutional Faulty Policies and their Failures

At the same time looking at the work of the institutions and policy makers involved in Afghanistan since 2002 it is clear that there have been several major policy failures. First, the biggest oversight which turned in to large scale failure has been the lack of realization for a policy of gradual resettlement of the millions of refugees that were encouraged to repatriate between 2002-2004, and 4.3 million did repatriate, but, found the conditions inside Afghanistan totally unprepared. The UNHCR, the governments in Kabul and donor countries bear responsibility for not seeing what was happening. Most of these refugees became stranded as unemployed displaced persons without a future and years after are still seen in the largest city Kabul which its population has grown by an estimated 3.75 million since 2002 now in 2014 with over 5 million without the needed public utilities and other facilities for a large city.

During the three day seminar organized by the UN Operation Salam in May 1989 in Geneva, following the completion of troop withdrawal by the former Soviet Union in February 1989, the repatriation of Afghan refugees was fully discussed and recommendations were made that the process of resettlement for millions of refugees must be gradual and carried out in accordance with the absorptive capacity of the Afghan economy (8).

Those recommendations were ignored in 2002 and the motivation seems to have been political showing the return of the large body of the refugees as a "success" story for policies in the post invasion period, which was repeatedly so proclaimed by politicians in Washington and London during the period. Second, the approach to reconstruction beginning in 2002 was largely based on ad hoc formulations of projects run by NGOs, rather than be based on a comprehensive plan, drawn on the basis of surveys of the economic conditions and with regards to the previous structure of the economy, its areas of comparative advantage, and the appropriateness of reestablishing a mix of public and private enterprises which had flourished in the Afghan economy even preceding the era of central planning in the 1950's. The Banki Millie as an investment bank and the government of the period during the 1930's and 1940's established more than 50 such enterprises (9).

Third, the overall approach in economic policy making beginning in 2002 was to open the

doors to uncontrolled globalization, and with absence of any public control to personal exploitations, since political control meant economic control, seeking more than even the mechanism of laissez faire offered resembling an unorganized market place where 'take what you can' approach was practiced especially given the large inflow of outside funds which lacked transparency and control. Privatization of businesses that were previously run by the public sector was forced upon the economy. All these policies were pushed through in a war devastated economy with little infrastructure left and with many distortions including large number of internally displaced persons, roads in total disrepair, farms neglected, and the people suffering from many kinds of health issues and lack of food, hospitals, and schools.

Fourth, there was lack of coordination of policies with a view to formulate an overall reconstruction strategy with the long term need for development which could render the Afghan economy self-sustaining once the large international financial assistance dried up. This situation arose from the fact that there were too many centers of policy making turning the environment in to an arena of competing policies for the policy makers.

The major institutions with funds and policy making were the Pentagon and the CIA. Their policies were war based and not for the welfare of the general population as claimed and attempted by means of establishing the Provincial Reconstruction Teams (PRTs), which carried out micro-projects among the rural areas with little success. Even the State Department had a secondary role basically supporting the war based policies by trying to 'win the hearts and minds' of the Afghan people by promoting localized projects rather than a comprehensive plan to deal with the social and economic problems present in Afghanistan. The most outstanding project by the USAID turned out to be the reconstruction of the power plant at Tarakhail in Kabul at the cost of \$350 million which has been mostly idle due to poor planning also pointed by the US Special Inspector General for Afghanistan Reconstruction (SIGAR) in his annual reports.

Fifth, the most critical problem has been the lack of domestic and foreign fund supported policy in solving the extreme unemployment problem. The Afghan Labor Federation reported that as many as 13 million workers are either unemployed, only part time employed, and looking for work according to reports from Kabul. The exact number of the unemployed is not known, because, the exact size of the population and the working age distribution of the population are not known. When the UN states that 75% of the population of Afghanistan has been displaced at one time or another during the war years it becomes difficult to determine the real conditions of the people. However, this much is clear that around the country there are millions looking for work and there is no effective employment policy in place still in 2014.

The World Bank reported that 400,000 students graduate and are looking for work, and the two candidates running for office under war and occupation have no idea how to solve this problem. International financial organizations have also been unable to offer effective solutions despite their overwhelming involvement in the economic affairs of Afghanistan. These conditions lead to more poverty and social instability, which are more important to the Afghan people than the trump up statements and assertions about "terrorism". Sixth, the introduction of large scale corruption began when the CIA provided suit cases filled with \$100 bills to warlords to support the war in Afghanistan. These individuals were involved in the civil war of 1992-1996 with many reported crimes they had committed against the civilians in Kabul (10).

Even since the invasion in October 2001 warlords and corrupt individuals who later became officials have been supported by the US and European governments invading Afghanistan making payments to them and putting them on payrolls. Afghans who were in a position to observe what was going on in Kabul during 2002 and 2003 relate such payments from US sources.

Corruption spread throughout the system because of concentration and abuse of power and because of the need for support for collaboration by some Afghans in the war. It also came about because of the expansion of the drug business and became part of the routine means of doing business and part of the infrastructure of new and resurrected institutions as they were being rebuilt and others newly introduced; there were no laws against corruption and there was no mechanism for enforcement of the laws. At the present in 2014 these conditions have become a monumental job of cleaning up corruption which permeates all levels of central government and public institutions in provinces. With the same individuals in charge of the affairs of Afghanistan for the past 13 it has become very difficult to dislodge these individuals even when it is clear that the gravy train is ending with the departure of the foreign military and civilian personnel.

The concern of warlords and those with war criminal records has been their protection from prosecution in a future government.

The Parliament passed “the National Stability and Reconciliation Law” in 2007 for the explicit protection of the individuals with records of war crimes according to Human Rights Watch when this law afforded them “their legal rights” and immunity from prosecution. This law was not signed by Hamid Karzai.

However, it was published in the Official Gazette giving it the appearance of legality. This is the means by which the warlords could run for office as VPs on the tickets of both presidential candidates as noted above. The Afghan people and the country are burdened with elements of the society in control of their future that are not cleared to be innocent of the charges of crimes against humanity and other related charges against them by the Afghan legal system. The legal system itself is corrupted by the political system and is incapable of rendering application of justice. The Afghan Human Rights Commission along with many civil society organizations have protested the passage of the 2007 law by the Parliament. But, the Parliament is corrupted by some of its warlord and corrupt individuals. The circular abusive system with impunity is entrenched under the present conditions supported by war and occupation policies.

Notes:

(1) For the story of the use of the Manas air base in Kyrgyzstan, see, Dan Murphy, “Why Closure of Kyrgyzstan Air Base is Point of no Return for Afghan War”, Christian Science Monitor, June 5, 2014.

(2) In an earlier study about the effects of the flow of funds and other resources to the Afghan economy from multiple international sources a modified two-gap model was constructed for estimating the growth rate. The model was estimated for the planning years 1962/1972 with annual data. It should also be mentioned that the statistical data available during the pre-war used was considered reliable based on meticulous gathering of such information by the government. This in part was demonstrated by the value of the estimated coefficients falling within an acceptable range for the developing countries for which the UN had made similar estimates. See, my article, “Planning

and Growth in Afghanistan”, World Development, UK, Vol. 4, No.9, 1976, PP.761-773.

(3) Some answers especially about international drug laundering of funds are provided by a timeline type of coverage in the following: Julien Mercille, “Afghanistan, Garden of Empire: America’s Multibillion Dollar Opium Harvest”www.GlobalResearch.ca. June 8, 2014, previously published in Pluto Press February 21, 2013.

(4) Alissa Rubin, “World Bank Issues Alert on Afghanistan Economy”, New York Times, November 23, 2011.

(5) Bloomberg News April 30, 2014.

(6) James Risen, “US Identifies Vast Mineral Riches in Afghanistan”, New York Times, June 13, 2010. Teams of US Geological Survey have carried out surveys of Afghanistan mapping the mineral deposits since 2007. Extensive maps have been produced verifying and pinpointing the presence of the previously discovered mineral deposits. But, there have no announcements of major new discoveries.

(7) The wealth of the mineral resources discussed in the book by Abdullah Shareq, et al, eds., Mineral Resources of Afghanistan, 1977, 2nd ed. was summarized in a study some time ago by this writer in, “Soviet Economic Interests in Afghanistan”, Problems of Communism, May-June issue, 1987, PP. 43-54, Table 3 which showed over 1300 different kinds of mineral deposits with designations of ‘deposits, occurrences, and showings’ among which was the discovery of lithium found in 44 places. The book also contained maps locating the mineral deposits, and was translated from Russian and it was a product of years of research by teams of Afghan and Soviet geologists.

(8) See, M. Siddieq Noorzoy, “Issues on and Problems of Social and Economic Reconstruction and Recovery in Afghanistan”, UNGE.89-01370, presented to the Seminar on the Potential for Recovery in Afghanistan and the Role of International Assistance May 5-7, 1989, Geneva, Switzerland. See also, UN Operation Salam Annual Reports on Afghanistan, 1989-1991, Geneva.

(9) Vartan Gregorian, The Emergence of Modern Afghanistan: Politics of Reform and Modernization, 1880-1946, Stanford University Press, 1969, pp. 361-367. See also, M.Siddieq Noorzoy “Alternative Economic Systems for Afghanistan”, International Journal of Middle East Studies, Vol. 15, 1983, PP.25-45.

(10) See, the report, Blood Stained Hands: Past Atrocities in Kabul and Afghanistan’s Legacy of Impunity, Human Rights Watch, July, 2005.

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