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Analysis of Political and Economic Situation in Afghanistan at the First Half of the Second Decade of XXI Century

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Abstract. Afghanistan is passing through a turbulent period in its history. After almost years of turmoil since 9/11 and the significant presence of foreign forces, the country was still plagued by insurgency, unstable government, a weak economy and underdeveloped infrastructure. The great uncertainties about the security and political transitions underway in Afghanistan and the country's economic outlook are likely to continue generating pervasive ambivalence in Washington, Kabul, and other capitals over how to manage the U.S. and ISAF withdrawals and their after-effects.

Key words: civil war, political situation, presidential election, economic situation, insurgency, unstable government, a weak economy.

Many Afghans fear that a civil war is coming after 2014 and outmigration and capital flight are intensifying. The 2014 was a rollercoaster of a year. The transition was completed. It did not tear the country apart or fragment the security forces, but it sometimes felt close. Afghanistan now stands at the beginning of the optimistically named Decade of Transformation. The country has a new leadership, both fuelled by confidence and ambition and bogged down by its own complications. Transition of power (presidential election) was one of the most remarkable events for transforming current political landscape of the country.

A brief spell of optimism around the 5 April, 2014 first round of voting was later replaced with a measurable decrease in public confidence as negative political trends emerged. The level of concern in Washington was underscored by two visits from U.S. Secretary of State John Kerry, who brokered a political deal between the frontrunners on 12 July. The deal proved inadequate as a foundation for a political accord, however, since both sides had divergent understandings of the text. A more detailed agreement signed on 21 September provided some clarity but leaves significant questions unanswered, such as how the factions within the new unity government will resolve disputes. Tensions between the political camps have broken out into armed conflict only sporadically, but the new administration will face security challenges as it deals with the political, ethnic, regional and tribal rivalries that have been exacerbated by the transition. The elites' inability to resolve their disputes in a timely and organized fashion has also tested the patience of some donors, particularly after Afghanistan failed to inaugurate a new president before the early September NATO summit in Wales.

No matter what occurred during the 2014 presidential election, the process was destined to make history. The idea of electing leaders in Afghanistan has existed since at least the 1920s, when



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King Amanullah Khan established the country's first parliament. Until 2014, however, no election had been conducted under laws passed by an elected assembly, and no election brought any significant change at the highest level in Kabul. This year also marked the first time that Afghans witnessed a leader of any kind – elected or unelected – showing an apparent willingness to surrender power. President Hamid Karzai indicated a desire to retain influence after the expiry of his constitutional mandate in 2014, but he also repeatedly called for his own replacement [1].

On September 29, 2014, Dr. Ashraf Ghani Ahmedzai was inaugurated as President, and he appointed Dr. Abdullah Abdullah as CEO. The partnership between Ghani and Abdullah has apparently been troubled since the pair took office, but it has not collapsed. Ghani has sought to assert the full extent of his constitutional role, and has announced initiatives to curb corruption and hold corrupt individuals accountable, to install officials based on merit, to promote women, and, through several trips to regional countries with a stake in Afghanistan's future, to explore new ways to settle the conflict with the Taliban insurgency. Since taking office, he has reportedly emphasized punctuality and tightly run meetings of high officials—departing sharply from Karzai's more free-flowing style.

To implement the September 21, 2014, power-sharing agreement that resolved the presidential election dispute, Ghani agreed to delegate some of his presidential powers to “Chief Executive Officer” (CEO) of the government, Abdullah. Under the agreement, the CEO will share with Ghani the responsibilities of making cabinet appointments, and he will chair ministerial meetings to implement government decisions [2].

Although, Dr. Abdullah's role has, at times since taking office, appeared unclear as he has struggled to define and assert the authorities he has. Some observers say his effectiveness suffers from a relatively weak advisory team, including aides who continue to focus on what Abdullah believes was vast election fraud that deprived him of presidential victories in 2009 and again in 2014. Ghani indicated that he sought to appoint a cabinet based on merit rather than factional interests.

However, he and Abdullah reportedly agreed that they would each take a lead role in making half the 25 cabinet post nominations. However, the power-sharing arrangement has nearly paralyzed the Afghan central government. Abdullah's role in governance has been limited and, until early January 2015, the two were unable to agree to new cabinet appointments despite a constitutional requirement to form a cabinet within 30 days of taking office [2].

It should be also noted that government authority remains constrained not only by the power-sharing arrangement but also by the exertion of influence by the long-standing informal power structure consisting of regional and ethnic leaders.

Voting patterns in the Presidential elections confirmed the importance of ethnic factors in Afghan politics: Afghanistan remains politically divided along ethnic lines. The current government is pursuing a policy to strengthen central authority. In this context, center-periphery issues are a further potential source of conflict. If the centralizing policy is to be sustainable, the regions will have to see concrete benefits in improved security and economic prosperity [3].

Afghanistan has a difficult terrain and climate, thereby restricting access and facilitating regional shadow governments. Afghan society includes diverse ethnicities. Sub-ethnic entities at



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local level, such as tribes and clans, form the foundation of the Afghan political and social landscape reflected at times through violent conflicts over power and resources [4].

Threaded and multi-layered nature of patronage systems on local and national levels continue to be one of the most stable and long-term Afghan social realities. In Afghanistan, the patronage system at the level of clan and tribal groupings, formations warlords, ethnic and confessional groups, regions may overlap, conflict, layer on top of each other and so on. But together they viable any more centralized and ideologically oriented socio-political systems and forms of governance, whether secular or relatively secular type [5].

The key challenges to improving subnational governance and services in Afghanistan largely remain what they were several years ago. There is confusion between the responsibilities of line ministries and provincial and district governors in delivering services. While the national budget is allocated among ministries, many subnational efforts have empowered or funded governors, and the accountability relationships between them, local representative bodies and central government remain muddled. This confusion has worsened contradictions in local appointment policies, with counterinsurgency agendas conflicting with attempts at introducing regular procedures. The national budget process and responsibilities within ministries for spending remain extraordinarily centralised, resulting in unresponsive planning and inefficient and incomplete use of existing budgets. Off-budget spending dwarfs the use of government systems in some places, while virtually ignoring others, and no system for a just horizontal distribution across regions has yet been applied. Spending remains focused on projects and not recurrent costs of providing services [6].

Thus, the development of the situation in Afghanistan is not predetermined and depends on the identified variables. Basically, following scenarios are possible:

- 1) Maintaining the essential compromise between warlords and effective government in Kabul;
- 2) the destruction of such a compromise and deployment of open regional-ethnic rivalries in the country.

In this case, it is clear that even if the first scenario in the coming years, there will be a redistribution of power between Kabul and the provinces in favor of the latter. This process of regionalization is strong enough. Most likely, it will not formally lead to the federalization of the country, but it will mean, in practice, the strengthening of warlords in their provinces, changing nature of the format of their relations with Kabul and the search for formal and informal arrangements for support and cooperation with neighboring countries [7].

At the beginning of the 2010s a significant part of the US foreign policy establishment, including experts tend to explain the deterioration of the security situation, the escalation of violence and intensifying insurgency in Afghanistan - or, in plain text, the failure of the US counterinsurgency strategy and policy with a combination of two long-term factors:

- Corruption and low functionality of the Afghan authorities;
- Support for the Taliban from Pakistan (and in general the so-called Pakistani factor) [5].

Other authors also see bad or weak governance as one of the key causes of instability in Afghanistan [8]. Law enforcement in Afghanistan continues to struggle with a culture of corruption, despite improvements in building the capacity of the justice sector. Corruption is



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endemic across the State, particularly within the public administration and security sectors. The police and judiciary could be categorized as the two State institutions most adversely effected by corruption. Insufficient salaries are a major cause of corruption in the rule of law institutions, but rising police salaries are expected to at least partially mitigate this issue. Another motivation for corruption is simple opportunism, as the country's police, jurists and other officials are in an advantageous position to extract revenue through rent-seeking behavior. High levels of corruption have poisoned relations between communities and the State and led to increased recourse to customary security, judicial and governance structures, a fact which has at least partly worked to the favour of AOGs (Armed opposition group) [9].

Political elites have contributed, with the collaboration or acquiescence of international actors, to rampant corruption in Afghanistan. In order for a transition to be successful, the international community should moreover help overcome the lack of political leadership in Afghanistan [10].

When foreign aid and economic reforms are considered, it should not be forgotten that Afghanistan has one of the biggest corruption rates in the world, Transparency International places Afghanistan 172 out of 176 [11]. Optimism for counter-corruption efforts is higher since the inauguration of President Ghani. In his inauguration speech, President Ghani specifically stated that he would combat corruption and has since issued an order that the Kabul Bank case be re-opened. Major Crime Task Force investigators are now cautiously optimistic that they will be able to pursue higher-level corruption cases that were previously untouchable [12].

Corruption is directly connected with drug trafficking, which is considered to be another infamous attribute of instability in Afghanistan.

Over the past decade, the Departments of Defense, State, USAID, Justice, Homeland Security, and the Drug Enforcement Administration (DEA) have collaborated to build Afghanistan's counter narcotics capacity. The focus has been, and will continue to be, on creating Afghan solutions that the Afghan government can sustain and build upon. Curbing the growing threat of the Afghan opiate trade will require a long-term, multifaceted commitment in partnership with the Afghan government.

The signing of agreements on military cooperation with the US and NATO and Afghan leadership further contacts in Brussels have identified a new regulation Kabul cooperation with the West and confirmed their priorities, including as a serious insurance policy in the event of further deterioration of the internal situation in Afghanistan.

Economically speaking, Afghanistan is still remained as a weak state. The 2011 Ease of Doing Business Report by the World Bank ranked Afghanistan one of the most difficult countries (167 out of 183) in which to do business. Also according to the World Bank, 97% of Afghan Gross Domestic Product (GDP) is supported by foreign aid, while 42% of the Afghan population is living below the poverty line. Afghanistan has received approximately \$60 billion of official development assistance from the International Community (IC) since 2001. But due to a variety of reasons including corruption at all levels of the Afghan government and fiscal mismanagement, Afghanistan has not developed a sustainable domestic economy.



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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. Wartime economy Growth in 2015 is now expected to be 0.7 percentage points less than forecast in the Asian Development Outlook (ADO) 2014 in April [13].

Despite apparent mega-urbanization trends, Afghanistan remains a rural and patrimonial society with a largely agricultural economy. Agriculture (35 percent of GDP) is the most important sector of the economy, as the majority of the population is dependent on crops [14]. Agriculture employs 60-80 percent of the Afghan workforce. Afghanistan imports most consumer goods and nearly 75 percent of its fuel and electricity. Afghanistan exports primarily raw materials (unprocessed agricultural products) and carpets. Afghanistan suffers from a lack of skilled labor, stemming in part from a literacy rate of 28 percent. Further, 36 percent of the population lives on less than \$25 a month [12].

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 agriculturally 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 [15].

According to Qayum Masud, Afghanistan had a service economy concentrated on cosmetic projects mainly driven by the donor community. It lacks a long-term strategy, which can bring economic peace and tranquility. Thirty years of war and conflict have destroyed the minimal economic infrastructure and institutions this country once possessed. In the past 10 years, no efforts have been made to either reinstate the economic structure of the past, or to develop new ones that can help build a modern state and developed economy. Instead, energy is wasted on projects and activities in the name of privatization and the free market, which have brought more harm than benefit to the country and the economy. Some political scientists, legal scholars, and economic analysts argue that for a state that lacks sovereignty over its territory and political legitimacy, economic development is impossible. But he argues that despite the above-mentioned challenges, including legal ones, it may become possible if the government possesses administrative capacities to implement coherent policies. A sound and effective relationship between governance and economic development is essential for the future of any country, especially Afghanistan. Nonetheless, Abdullah Sarwary says that potential, which Afghanistan has,



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is unlikely to be fully realized unless the political ramifications of further development are mitigated.

Qayum Masud states that the donor-driven economy has not helped the economic and social infrastructure of Afghanistan and the development process remains ineffective. Furthermore, it has created an unequal economic power relationship between the small economic and political elite and the average Afghan. This has also created extreme conditions of exploitation, where the small ruling elite is able to make gains at the expense of the majority. The free market approach, which has been implemented in Afghanistan, is not succeeding in Afghanistan and the Afghan economy is not able to provide the security people require [16].

Since 2001, economic growth has been driven by dynamic sectors such as construction, telecommunications, trade and transport. Despite overall economic growth, unemployment remains one of the most daunting problems facing Afghanistan. Critics charge that, despite the rhetoric of job creation and poverty alleviation, employment has often been pushed behind the political agenda, and other than stabilization programmes which create casual or short-term employment to draw fighting-age men away from the insurgency, there has been a lack of focus on sustainable job creation and poverty reduction [17].

Financial aid for reconstruction since 2001 has not produced tangible results that have improved the lives of the poor, and the gap between the rich and the poor continues to widen every year. Even in Kabul, the city's streets in the most affluent neighborhoods, such as Wazir Akbar Khan, where warlords, diplomats, international aid agencies, senior state officials, and tycoons live, are pockmarked with potholes. The bulk of the international aid money for rebuilding and revenues from drugs and narcotics trafficking support the lifestyles of the country's emerging rich, who have no social distinction or sense of social obligation and lack a social base of support, so they continue to serve their own needs to the exclusion of anything else [18].

In order to see acute imbalance in possessing economic welfare, following facts can be given. Afghanistan has such 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.

However, GDP per capita increased from \$370 in 2008 to \$679 in 2013. Inflation slowed considerably from a high of 26.8% in 2008 to 7.4% in 2013. As a result of the political and security uncertainties, private investment dropped to 4.2% of GDP in 2013 from 4.9% in 2012. In 2013, the current account balance was positive at 2.8% of GDP, but excluding official transfers it was -40.6%, demonstrating the country's heavy dependence on foreign aid. Afghanistan's human development index value for 2012 was 0.374, ranking 175th out of 186 countries. The poverty rate remains high at about 36% of the population. The rural poverty rate is 37.7%, compared with 29.0% for urban populations.



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In fact, overdependence can create more autocratic states, more corruption and more poverty, slow down the economy and even increase conflicts. Importantly, it could have a corrosive effect on the social contract between the state and citizenry, which is critically important in Afghanistan, especially at this stage [10].

In conclusion, can be summed up that the economy and development and service delivery indicate that some progress has been made in urban areas but little attention is given to the rural areas of the country. It also indicates that most of what it achieved is not satisfactory and it is mainly donor driven. The data clearly shows that there is a lack of investment in the productive sectors of the economy. The economic development and progress reported mainly stems from services, and spending on security. The country suffers from a high level of unemployment and the absence of manufacturing strategies. Among other things, this also can be linked to the lack of focused government policies and deficiency in coordination of different sectors of the economy and polity.

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