Afghanistan
PDS and Peacebuilding

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Contents

I. Political Background Afghanistan

II. Economic Background Afghanistan

III. PSD & Peacebuilding
    Mainstream
    Special Situation in Afghanistan

IV. Ways out
    Greenfield Institutions
    Cooperation with the Informal Authorities
2001, after 23 years of war and civil war, Afghanistan was a failed state, the industrial production was near to zero and the country was one of the poorest and most underdeveloped in the world.
Afghanistan never experienced a strong central government

- King Amanullah in the 1920, modern administration
  King Zahir Shah 1933, the reform continued

- 1973 General Daud, stronger central power, nationalizing industries

- This development was re-enforced by communist governments after 1978 and the invasion of the country by the Soviet army in a more and more Soviet style manner.

- Downturn of the communist system by the mudjaheddin in 1992

- The Taliban never succeeded to control the whole country and were ousted by western forces and the mudjaheddin after 09/11
Who are today’s elites?

The political elite are members of the pre-communist system, but also of the communist area. This elite is divided by old party alliances.

The mudjaheddin have build up a competing elite consisting of the often influential commanders of the different regions.

Young professionals, most of them quite well educated in Pakistan or Iran if not in Europe or America. Most are culturally westernized and a lot of them are lacking a written knowledge of Dari (the main language in Afghanistan).
The Security Situation

- Drug business accounts for more than half of GDP
- Pakistan and Taliban not interested in stability
- Both issues cannot be solved by military force alone
- Afghan police and military are not able to guarantee security by their own means
Afghanistan never had a strong economic base.

Figure 1.1: Afghanistan’s Level of Development in International Perspective (1975-2002)
Economic Structure
The economy relies mainly on the agriculture.
The economy is largely informal

Figure 1.2: The Informal Economy in Different Sectors
Good progress in the macro-economic conditions

- The IMF estimates that (non-opium) GDP growth averaged 2002 and 2004 22.5 % 2004/05 7.5 % 2005/06 14 %.

- The World Bank states that a stable macroeconomic environment has been established and a number of steps have been taken to foster trade.

- Currency reform was completed in early 2003 and since then inflation has been low and the currency stable.
Business Climate is still not good

• Access to land is limited
• Power availability in Kabul is around two hours per day
• Road connections have improved greatly, but are still poor
• The legal reform of the business environment is still in its infancy
• Corruption is rampant
• Access to finance limited
• Labor unskilled and expensive
• Massive import pressure by cheap and often substandard goods
After considerable success in the macro-economic sphere, Afghanistan is still sliding further into conflict, people more and more do not feel represented by the Government and American and NATO forces are no longer regarded as a solution, but part of the problem?

What can the donor community do?
The Mainstream

- Building institutions
- Investment-Growth-Employment-Poverty Reduction
- Emergency Aid
- Analysis of conflicts and do no harm
Institution Building

• Absorption capacity low, effects very long term
  (Collier, Paul/ Hoeffler, Anke (2002): Aid, Policy and Growth in Post-Conflict Countries, Washington)

• Existing institutions very weak, especially in the provinces

• Security situation dominates decision making and effectiveness of aid

• Government consisting of the exile elite, excluding important political actors is not rooted in national networks
PSD and Peacebuilding

Investment-Growth-Employment-Poverty Reduction

• Long term relation
• Not working for the provinces
• Growth–employment relation does not work
• Import Pressure
• Donor led investment (infrastructure)
• Security situation and unsolved conflicts
Emergency Aid

• Necessary but not targeting the most pressing needs
• Not coordinated with the formal institutions
• Implemented by NGOs with little effectiveness and corruption prone
Analyse the conflicts and do no harm

Conflicts are multilayered, complex and regional diverse
Ranging from ethnic, clan, religious to old party alliances
and exile related issues
Ways out

The example of Afghan Investment Support Agency (AISA)

• Building up a new, efficient and corruption free institutions from the scratch
• Improve business climate in the short term
• Support investors to overcome all the obstacles which cannot be solved in the short term
• Improve the country’s image to promote and attract investment
• Take over the advocacy role as long as chambers etc. are not effective
Success Story

• registration time for new businesses was reduced to less than a week.

• Since 2003, AISA has registered over 6,200 companies bringing a total of $2.4 billion in investment to Afghanistan

• AISA is seen by most businessmen as the main advocacy body

• AISA is visibly above the conflict lines, nonpartisan, the friendly face of Government, thus reducing conflicts and providing hope for progress
Success Story

Total 2004 - 2006 CAGR = 31%
The elements of success

• Political control on ministerial level through the High Commission on Investment
• Independence of other institutions, especially the Ministry
• Financial Sustainability and Independence
• Strong political figure as head of the organization
• Good political alliances (MIFIN)
• Good recruitment policy and training
Problems

• Independence of the institution creates high risks

• Continued support is necessary

• Exit strategy; reintegration into the formal system needs to be designed

• Cooperation with the donor community is essential
Informal Authorities

The Situation in the Provinces

• Very little Government, no real administration
• No representation of the people
• No private sector associations
• Little understanding of market economy and entrepreneurship
• Little understanding of the potentials of the regions
• Informal leaders and influential networks not connected to regional government (social capital)
• Precarious security situation
• No development plan or strategy
• Donor activity limited
Informal Authorities

Other Partners

• Different regions in Afghanistan have informal leaders

• GTZ project in Kunduz tries to identify them and their networks

• Investors are available, but they need the support of the informal leader and the state or donor to invest

• TA is needed to identify and analyse the potentials

• Links to Kabul, the formal authorities and the donor projects are essential

• Local authorities have to be included in the operation

• Private sector representation has to be built up
Lessons learnt

1. People in a post conflict situation need a clear short term perspective.
2. Institution building can take a long time to produce tangible results.
3. Regions can be neglected and produce new sources of conflict.
4. Greenfield institutions can produce visible results in the short term, thereby limiting conflict and contributing to peace, but long term solutions have to be taken care of as well.
5. Informal networks and leadership is essential to produce results, but the formal institutions need to be developed in parallel.
6. The complex conflicts can neither be thoroughly analysed nor be solved by PSD, but can be mitigated by visible success stories.
7. The risks of not understanding all conflict structures can be reduced by working with the informal authorities and networks.