



PRIORITIZING PEACE AHEAD OF ECONOMIC GROWTH

Afghanistan's economic fate is intricately tied to its post-conflict peace plan, which is currently in the making

By Mariam Safi

The war in Afghanistan is considered the longest in U.S. history, the longest mission in NATO history, and the longest peacebuilding mission in UN history. Since 2014, when President Barack Obama transferred domestic security duties to the Afghan government, the country has been experiencing its most difficult transition period. However, continued violence and the rise of Islamist militancy have considerably delayed a complete withdrawal (American troops are still actively deployed in the country) and pushed Afghanistan into deeper turmoil. Ongoing peace talks between the United States and the Taliban in Qatar aim to pave the way for the remaining 14,000-strong U.S. force to cease military operations. Setting aside that the talks are generally focused on opening a dialogue between the Taliban and Afghan stakeholders and negotiating withdrawal, the peace process has called for parallel efforts on the development side and for the need to reconstruct a new Afghanistan around issues of long-term sustainability and economic development—an oft-ignored element in peace negotiations.

In November 2018, President Ashraf Ghani presented a roadmap for peace which he called the “next chapter of the peace process”. Components of the roadmap announced at the international UN conference in Geneva not only included an offer to the Taliban to hold talks without preconditions, a serious step that could resolve the country’s longstanding conflict with the Taliban, but also reaffirmed that the Afghan government and its international and regional partners were committed to the idea that peace must be underpinned by economic reform. According to the roadmap, security and stability were vital for sustainable private sector-led economic growth including investment and the reversal of capital outflows, which have long been deemed necessary for the country to achieve self-reliance.

This plan was unveiled following several meetings, events, and conferences which formed around ideas of peace, security, and development throughout 2018. These included

◀ A laborer carries a sack of coal at a dump site outside Kabul, Oct. 19, 2011.
Ahmad Masood/Reuters

the second meeting of the Kabul Process for Peace and Security Cooperation on February 28, 2018, the three-day ceasefire between the Taliban and the Afghan government in June, the mid-year launch of U.S.–Taliban peace talks, and finally the Geneva conference on Afghanistan.

Peace can shape and be shaped by the economy in Afghanistan; that is, peace without economic development is not possible, and economic development alone cannot build peace. Peacebuilding experts and practitioners argue that developing a plan for economic development, with a focus on decent livelihood, the accumulation of assets and capital, investment of revenue in public services, and the development of environmental and social sustainability, can create economic conditions that are conducive to sustainable peace.

Unfortunately, Afghanistan is neither capable nor ready to set the conditions for peace and economic prosperity. As a result, it is improbable that the peace process will be able to give way to economic development, even if some form of positive peace arises at the end of negotiations. A degree of development is needed for peace to be pursued sustainably. Even worse, if peace efforts have a negative outcome, this will not only prevent future growth but will also reverse economic gains made to this point.

New Ideas in Peacebuilding

Balancing the books

To exemplify the numerous achievements that have taken place in Afghanistan since the United States led a military coalition which toppled the Taliban regime, local policymakers and civil society actors often reiterate the phrase, “the Afghanistan of today is not the Afghanistan of 2001”. Since 2001, economic growth has been volatile but rapid, with construction and agriculture becoming key contributors to economic expansion. Billions of dollars for security and aid were poured into supporting this growing economy.

However, this artificial bubble burst following the sharp decline in international military expenditure during the 2011–14 international troop drawdown which, followed by a decrease in donor aid, caused Afghanistan to increase its own military and security spending. Furthermore, the continued violence, insecurity, and political uncertainty following the 2014 presidential elections, which swore in the current president, began to erode growth. The country’s Gross Domestic Product (GDP), which stood at 12 percent in 2012, dropped almost 10 points by 2017. Between 2015 and 2018, the GDP, which was 1.5 percent in 2015, made a modest increase to 2.7 percent in 2017 and then went down to an estimated 2.4 percent in 2018.

While government revenue increased at double-digit rates through 2017 and recorded exports increased by 28 percent in 2017, these trends have been modest at best. As such, domestic revenue is currently only sufficient enough to cover approximately half of on-budget expenditure and is less than a quarter of total public expenditure. Moreover, Afghanistan's high levels of dependence on aid are unsustainable, especially as it competes with other aid recipients over available development assistance and security resources. According to an Oxfam and Swedish Committee for Afghanistan report published in 2018, approximately 66 percent of the country's financial budget between March 2017 and February 2018 was funded by international donor support. This means that only 33 percent of the country's budget was derived from domestic revenues. Afghanistan might not be prepared to address this high level of aid dependency in the near term, let alone throughout the process of peace negotiations or in the immediate post-peace environment.

The current prospects around the peace process serve as a backdrop to the challenging economic climate in the country. William Byrd, a senior expert on Afghanistan at the United States Institute of Peace, believes that the current momentum built around the peace process could present opportunities that could boost the Afghan economy. However, a plausible peace scenario can only translate to economic growth if the peace that is produced is durable, comprehensive, and accepted by all stakeholders. Such a peace would help reduce violence if not bring an end to all hostilities, which in return would allow the Afghan government and its international partners to reduce its security expenditures, which currently remain over one-fifth of GDP. Without a reduction in security spending, Byrd argues that even the most ambitious plausible increases in government revenue will “not make much of a dent in the fiscal gap”.

Tying in economic development

With these challenges in mind, the Afghan government has made considerable efforts to link together political and economic processes. In 2015, months after taking office, President Ghani put the reduction of unemployment and poverty high on his administration's agenda—something he has since used to associate economic development with prospects for peace. Following the 2018 Geneva conference, the Afghan government released an economic growth strategy, officially known as the “Afghanistan Growth Agenda for Transformative Change and Self-Reliance”.

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The conditions paving the way for the strategy were described by international

actors as favorable. It followed reports of American diplomats holding the very first face-to-face talks with Taliban representatives in Qatar since their regime was toppled in 2001, marking a reversal in the longstanding U.S. policy of refusing to negotiate with the group. This was then followed by Ambassador Zalmay Khalilzad, the U.S. Special Representative for Afghanistan Reconciliation, holding his first meeting with Taliban officials in November 2018—days before the Geneva Conference. Under pressure from the international community, the Afghan government felt obligated to produce an economic growth strategy that reflected its intentions for development efforts to move in parallel with these recent developments in the peace process.

The growth strategy aiming for transformative change and self-reliance set realistic targets to be achieved in the medium term, and more aspirational targets for the long term. In the immediate term, several potential areas have received focus: the intensive development of agriculture and horticulture, the strengthening of extractive industries such as mining, the implementation of major regional connectivity projects, and the advancement of sectors such as information technology to supply domestic markets. The strategy's aspirational targets include increasing revenues to \$8 billion by 2025, exports to \$2 billion by 2024, and GDP growth to 8 percent by 2024.

However, the challenges to achieving these goals are daunting to say the least. For the strategy to work, the Afghan government will have to plug the gap in government revenues which presently account for less than one-quarter of public expenditures, narrow the trade deficit which currently relies on grants and exceeds 40 percent of GDP, and reduce poverty levels, which affect half of the Afghan population. To address these challenges, the government would rely on a strategy of securing development through sustainable peace. It has assessed that by introducing reforms to build confidence and improve the business environment, more foreign investment would flow into the country.

This would build human capital in existing and new areas such as Afghanistan's extractive industries, which would therefore support export growth at levels that could significantly reduce aid inflows. And by mobilizing finance and optimizing expenditures, it aims to meet the exorbitant upfront costs of transformation and thereby secure the conditions necessary to bring about peace and in return economic growth. While this sounds plausible on paper, the challenges of meeting these economic goals go far beyond just plugging a few economic gaps. Such a strategy would need flexibility to maneuver and simultaneously address deep and complex sociopolitical challenges, the culture of corruption that has set roots in Afghan society, the serious capacity shortages, and a general lack of good governance across national and subnational levels.

A member of the diplomatic community in Kabul told me in an interview

that there are two contexts in which the growth strategy could potentially be applied and for which the international community in Afghanistan is preparing. The first is within the “peace context” and the second is within an “ongoing conflict” context.

Two Possible Scenarios

Two important events will determine two possible scenarios for the future of Afghanistan: the U.S.–Taliban peace talks, and the Afghan presidential election slated for September 2019. The peace talks, hosted in Qatar over the summer, have resulted in a draft agreement over an imminent U.S. withdrawal of troops and guarantees from the Taliban that they will not harbor or support foreign terrorist organizations. But the talks have been bogged down by the Taliban’s refusal to negotiate with the Afghan government. In the second event, the outcome of the presidential election—so far twice delayed—can determine the posture and success of the talks and forecast better economic conditions for the country.

The “peace” scenario revolves around the premise that growth is made possible following credible progress in securing a peaceful resolution to the conflict, a presidential election that can produce some degree of political stability, and considerable alleviation of poverty and unemployment. At the current juncture, the evolution of the economic growth strategy will depend on how peace talks unfold and whether the outcome of the election is accepted by the vast majority of Afghans. Moreover, “the peace scenario will depend on what Afghans agree on during talks,” the diplomatic source said, “unless what is agreed is the return of the Taliban’s Islamic Emirate.”

Currently, among the members of the international community in Afghanistan, there seems to be little understanding of what type of administration would emerge following a peace agreement between the Taliban and the Afghans. This in return has complicated the possibilities for implementing a growth strategy that has already been called too ambitious. There are concerns over what peace will mean in terms of governance if the Taliban join the next administration. These include how the Taliban’s lack of an economic policy or strategy—with the exception of a few statements announcing their desire for cooperation with the international community and willingness to allow aid flows into the country—gives little insight into their intentions or capacity to continue the various bilateral and regional initiatives toward the country’s self-reliance. There is room for optimism if the Taliban demonstrate that they would not want to alienate neighboring countries should they assume leadership positions in the next administration.

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Even in this peace scenario, implementing the growth strategy will be immensely difficult. It will require continued financial support from the international community to match, if not exceed, its current contributions through to the end of Afghanistan's Decade of Transformation, an international initiative to support the country's growth from 2015 to 2024. Under Article 15 of the Geneva Conference on Afghanistan Joint Communique, international and regional countries have agreed to "collaborate on the socioeconomic requirements for peace". This means that donors have been requested to develop and implement a specific action plan which would advance a post-settlement return of Afghan capital, increase Afghan and foreign investment and job creation, and enhance regional economic integration. This, essentially, offers a stimulus plan in which the donor community would be merely "pumping money into the economy to keep it going" as has been the case since 2001.

Additionally, the outcome of the presidential election will be yet another determining factor in this context. Some in the international community feel that regardless of who wins elections, they will most likely not deviate from the current growth strategy, or will continue its broad strokes. Nonetheless, if election results are not accepted by all sectors of Afghan society — a possibility — violence could erupt.

In this case, how long or sustained the violence is could indicate whether Afghans are moving toward the positive or negative scenario. It is speculated that even with a few months of violence reaching manageable levels, the international community could continue the path dictated in the strategy. However, if violence continues beyond this point, then heading toward the negative situation will be the more likely projection.

In the context of ongoing conflict in which peace talks result in the deterioration of security, the Taliban would likely expand their control of territory, election results would not be accepted, and violence would continue. The growth strategy, in this case, would then not be implementable and further deterioration of the current economy would be expected.

This brings us to the possible outcomes of the peace process under the "ongoing conflict" scenario. The United States and the Taliban entered the seventh round of talks on June 29, focusing on four key issues, including securing assurances that the Taliban will not allow international and regional fighters to use Afghanistan to launch attacks outside of the country, negotiating the withdrawal of U.S. and NATO forces, starting intra-Afghan dialogues, and enforcing a permanent ceasefire. Some analysts believe that the country is on the verge of a peace agreement since the United States initiated talks with the Taliban, while others have argued that repeated refusals by the Taliban to sit with the Afghan government, the lack of political unity in Kabul, and the

absence of a national consensus make for difficult conditions to establish an agreement in the near future.

On June 25, U.S. Secretary of State Mike Pompeo visited Kabul and announced that the United States hoped to have a peace deal before September 1. With Afghan presidential elections slated for September 28, this statement raises alarms in the country as it questions the need for elections if intra-Afghan dialogues give positive results, in which case fresh elections would be held to integrate the Taliban into the political system. On the other hand, if the deal does not result in dialogue, then it would jeopardize the results of the election itself, as the Taliban have long demanded the creation of an interim government and have refused to sit down with any presidential incumbent.

Another impediment is that although the Taliban do not want to lose an opportunity to enter talks with the Afghan government, they remain unwilling to come to the negotiating table before a deal on troop withdrawal is reached with the United States. The Taliban have demonstrated that they are serious about reaching an agreement with the United States and consequently with Afghans as the current environment gives them the upper hand in any potential peace agreement. The Taliban have been far more consistent, homogenous, and clear than anyone else about the conditions needed for them to enter talks. These conditions include the official reopening of their political office in Qatar, the submission of a U.S. timeline for withdrawal, and the removal of international sanctions and travel bans placed on them by the United States.

Upon meeting these demands, the Taliban have stated they will in exchange call for a ceasefire across Afghanistan. On the other hand, a ceasefire, in light of a full U.S. and NATO troop withdrawal, will remove significant leverage Afghans could use to pressure the Taliban to commit to accepting essential conditions, such as protecting the political and social advances made over the last eighteen years, especially on issues of women's rights, upholding the current democratic system, and preserving the Afghan constitution.

Even after a ceasefire, the Taliban could press for more conditions for entering negotiations such as the dismantling of the current Afghan government and the creation of an interim one. More worrying would be other demands the Taliban might propose, as they have in the past, including the creation of a council of religious clerics to review the constitution and amend any laws that do not abide by their interpretation of Sharia or *Fiqh*, or perhaps even draw a new constitution, and set the conditions for new elections. This is in spite of the fact that it is still unclear under what type of political system such elections would be held, or whether it would happen after or before the demobilization of Taliban fighters.


On the other hand, while the Afghan government has not remained consistent on its position toward the Taliban and the framework for a peace agreement, it has in fact been clearer on the above questions from its perspective than the Taliban. Ghani has stated that discussion of the Taliban's demands will ensue only once all sides sit at the negotiating table and after the Taliban recognize the Afghan government as a legitimate party to the talks. However, the current government has already made more concessions to the Taliban while the Taliban have not yet provided guarantees or made overtures to signal that it has changed its position on maintaining the gains of post-2001 or in protecting all citizens' rights, especially those of women.

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pursue economic growth in the immediate or long term. To complicate matters further, the peace process has been lodged in the middle of two elections: a parliamentary election that deepened ethnic divisions, fragmented society, eroded public trust, and reinforced the practices of bad governance, and an upcoming presidential election that is two months away and has already been declared illegitimate by the majority of presidential candidates

who criticized Ghani for extending the timeline of his presidency beyond its constitutional deadline.

The fate of Afghans rests on the outcomes of both the presidential election and the U.S.–Taliban deal, if a deal is reached before elections. Should elections still be held and produce an outcome that is accepted by the majority of the population, then an inclusive intra-Afghan dialogue could take place afterwards with a new administration in power. Under this scenario, the new administration could continue setting the foundation for the economic growth strategy, but still with considerable funding from the international community in the immediate future. However, any other scenario apart from this could result in the dismantling of the state, a rise in ethnic violence, and the creation of new spaces and pockets for the Taliban to deepen their presence, thereby eroding any possibility to implement the economic growth vision of the state, and thus the conditions for sustainable peace. 



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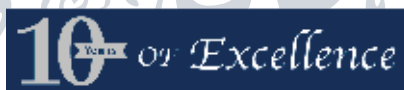
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