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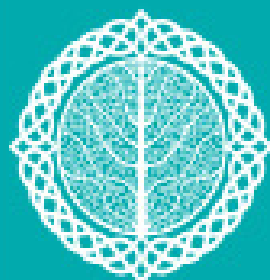
Journal

WOMEN AND PUBLIC POLICY

Volume 2 • 2015-2016

Edited by
MARIAM SAFI

AFGHAN ECONOMY IN THE DECADE OF TRANSFORMATION (2015-2024)



DROPS

ORGANIZATION FOR POLICY RESEARCH
& DEVELOPMENT STUDIES

AFGHANISTAN'S JOURNEY TO ECONOMIC SELF-RELIANCE:

ASSESSMENTS & RECOMMENDATIONS

JOURNAL

WOMEN AND PUBLIC POLICY

Volume 2 · 2015–2016

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Afghan Economy in the Decade of Transformation (2015–2024) Afghanistan's Journey to Economic Self-Reliance: Assessments & Recommendations

Developing Effective Public Policy to Encourage Private Sector Investment in Afghanistan

By Tania Aria

Afghanistan-China Economic Partnership: How to Minimize Risks and Achieve Objectives

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By Rahela H. Sidiqi

Afghanistan and its Central Asian Neighbors: Opportunities and Challenges to Regional Economic Cooperation in the Decade of Transformation (2-Part Series)

By DROPS Research Team

Book Review: Farewell Kabul by Christina Lamb

By Ayesha Al-Hashimi



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& DEVELOPMENT STUDIES

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DROPS Vol. 2 2015-2016

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Contents

Preface	I
By H.E. Dr. Habiba Sarabi	
Editor's Note	IV
Developing Effective Public Policy to Encourage Private Sector Investment in Afghanistan	1
By Tania Aria	
Afghanistan–China Economic Partnership: How to Minimize Risks and Achieve Objectives	24
By Zohal Atif	
Incentives for Women Entrepreneurs: Status, Gaps and Way Forward	32
By Naheed Sarabi	
Afghan Economy's Achilles Heel: The Symbiosis between Insurgency and Drug Trade	41
By Mariam Wardak	
Opportunities to Increase Women's Involvement in Afghanistan's Economy	50
By Atifa Safi	
Afghanistan: Rule of Law and Economic Development	58
By Sona Mahmody	
Challenges to Developing Afghanistan's Human Capital in the Decade of Transformation	67
By Dilawaiz Hashimi	
Afghanistan: A Holistic and Sustainable Approach to Improving Women's Access to Economic Markets	97
By Rahela H. Sidiqi	

Afghanistan and its Central Asian Neighbors: Opportunities and Challenges to Regional Economic Cooperation in the Decade of Transformation (2-Part Series)

By DROPS Research Team

111

Book Review: Farewell Kabul by Christina Lamb

By Ayesha Al-Hashimi

124

Preface

Celebrating the Achievements of the Enlightened Women of Afghanistan

Women's capabilities and skills have an undeniable effect on the development of a society and can bring with them many innovative changes; and no one can deny. Without the participation of women, positive and sustainable change in addition to an advanced culture and humanity cannot be imagined. In fact, every society desperately requires women's contribution and their nuanced initiatives in the fields of culture, economy, politics and social affairs.

Women's effectiveness and wisdom, along with their constructive innovations in the management of society and in the areas of education can produce positive and sustainable outcomes. It is imperative for our society to commend women researchers; and it is the responsibility of the government to ensure that it provides women in this field with opportunities for employment, so that they can play a role in policy-making and in key strategic planning in the future.

The achievements of many bright and courageous women in our history - especially in fields such as culture, arts and leadership - continue to shine brightly. However, at the current juncture in our history, Afghan women are striving to demonstrate their abilities in policymaking levels.

The second edition of the Organization for Policy Research and Development Studies' (DROPS), the *Women and Public Policy Journal*, comprises analyses on the status of human resources in Afghanistan; the levels of women's access to economic markets; enhancing women's roles

in public and private economy; the role of public policy in supporting private sector investment and its impact on the labor market; and the economic, social and political challenges facing the country. DROPS' flagship journal has set the path to identifying solutions to these challenges for decision-makers from women's points of view, while simultaneously empowering and building the skills of women in the field of research and analysis.

By publishing the analyses of female authors, DROPS is in fact recording the social and cultural achievements of women in the framework of a journal that will be saved in memory of history so that our coming generations can continue to build upon the existing knowledge and can stride towards equality in our society.

It was this goal, based on which, DROPS began the process of training women in research methodology, encouraging them to provide analyses on timely policy topics, and publish those findings, reflecting women's unique perspectives that provide immense value to local and international policymakers and the general public.

The output contained in this journal as identified by this enlightened group of authors can eliminate the long-standing darkness that has plagued our nation and bring with it a promise for a bright future for us all. Because, ending poverty, hunger, gender inequality, and, improving and enhancing the element of quality in sectors of education, health, public welfare, and providing access to lawful freedoms and rights requires information and knowledge. It is therefore essential for us to appreciate the endless efforts of this particular group of women in addressing these issues. Consequently, as an Afghan woman, I am proud of these enlightened actions by the women of my country. I hope that our women will not face any kind of obstacle while embarking and journeying through this complex route, and will step further firmly and with steadiness. My hope is that our next generations will remember these endeavors with pride and celebration. The foundation of this journal in capturing the cultural, economic, social and political perspectives of women will be a valuable heritage for our next generations.

I wish DROPS, its staff, and all women in the field of research, continued and growing success.

Dr. Habiba Sarabi

*Deputy Head, High Peace Council, & Advisor on Women and Youth Affairs to
H.E. Dr. Abdullah Abdullah, Chief Executive Officer, National Unity Government,
Islamic Republic of Afghanistan*

October 2016

Editor's Note

This edition of the Women and Public Policy Journal has been published at an important juncture in Afghanistan's trajectory as it transitions from an aid dependent country to one that is self-reliant. In the past year (2015–2016), the country witnessed a plethora of developments in the National Unity Government's (NUG) plans to bring about key reforms and put in place the building blocks to kick start the economy; trigger growth and job creation; make Afghanistan's public finances sustainable; promote public-private partnerships; and ensure women's economic empowerment.

Three months after the formation of the NUG, Afghan President Ashraf Ghani and Afghanistan's Chief Executive Officer (CEO) Dr. Abdullah Abdullah used the 2014 London Conference on Afghanistan to present to the international community its ambitious reform program, titled 'Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership'. Reforms included ensuring that a credible budget is passed; scrutinizing expenditure and implementing measures to increase revenue, including measures to broaden the tax base; strengthening financial sector supervision; and specific reforms to improve the conditions for responsible private sector investment.¹

The objective of this integrated approach to reform was to achieve self-reliance and move away from aid-dependency in the subsequent decade. The international community welcomed the NUG's plans, and to facilitate

1. "Afghanistan and International Community: Commitments to Reforms and Renewed Partnership." The London Conference on Afghanistan, December 04, 2015. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383205/The-London-Conference-on-Afghanistan-Communique.pdf

this, they reaffirmed their commitments made in the Tokyo Mutual Accountability Framework (TMAF) of providing \$16 billion through 2015. However, to wean Afghanistan off its dependence on external funding, the international community highlighted that this support would continue but at a declining rate through the Transformation Decade, with the supposition that the Afghan economy would gradually grow and fill the existing fiscal gap.

On 05 September 2015, the Second Senior Officials Meeting was held in Kabul, marking the first high level meeting since the NUG presented its reform plans in London. The meeting reviewed the progress of the Self-Reliance Reform Program, and the Co-chair of the meeting, Afghan Minister of Finance Eklil Hakimi, highlighted the progress that had insofar been made towards tackling the fiscal crisis; improving economic governance; increasing regional trade and investment; and launching a dialogue with the private sector on the roadmap to create a better environment for market-driven growth.² He simultaneously emphasized that the “overall economic situation continued remain a matter of deep concern.”³ According to the Ministry of Finance’s ‘First Mile Progress Report’, although progress has been made in making fiscal finances sustainable, “powerful interests”⁴ have challenged it and therefore has been constrained by “compulsory commitments to high levels of security spending.”⁵

The report also highlighted that in terms of reforming development planning, security spending has prevented advancements in this area. It also stated the government’s inability to bring about “increased budget flexibility”⁶ to manage the budget for development spending. With regard to bolstering private sector confidence and job creation, the report states that the government had not been very successful in increasing

2. “Self-Reliance through Mutual Accountability Framework (SMAF).” Second Senior Officials Meeting, September 05, 2015. https://unama.unmissions.org/sites/default/files/2015.09.0520co-chair20statement-final_0.pdf

3. Ibid.

4. Islamic Republic of Afghanistan. “Afghanistan’s Road to Self-Reliance: The First Mile Progress Report,” 05 September 2015, Policy Department, Ministry of Finance, Kabul, Afghanistan. Pg. 12.

[http://mof.gov.af/Content/files/SOM%20main%20paper%20with%20annexs%20final%203%20sep2015\(1\).pdf](http://mof.gov.af/Content/files/SOM%20main%20paper%20with%20annexs%20final%203%20sep2015(1).pdf)

5. Ibid.

6. Ibid. pg. 14.

communication with the private sector.⁷

Furthermore, the worsening security situation and political uncertainty too have detracted private investment. However, these are matters the government has repeatedly been reluctant to take ownership of. Corruption too has been an uphill battle for the NUG, as it is now “part and parcel of the country’s political arraignment.”⁸ Acknowledging these challenges, the government developed a refreshed version of the TMAF, called the Self-Reliance Through Mutual Accountability Framework (SMAF), which was agreed upon at the Seniors Meeting to help guide the government mitigate these challenges. The SMAF marked the Afghan government’s commitment to its international donors, by proposing 24 deliverables it intended on meeting in 2016, before the convening of the next big donor conference on Afghanistan, the International Brussels Conference on Afghanistan.

On 4–5 October 2016, the Brussels Conference brought together 75 countries and 26 international organizations to assess the NUG’s performance in meeting its SMAF commitments while introducing its future plans. As with previous donor conferences, Brussels also marked a critical platform for locking in funds to facilitate Afghanistan’s sustained development. The international community reaffirmed their commitment towards Afghanistan in view of the progresses made in SMAF; introduction of the new SMART⁹ SMAF indicators (implementation between 2017–2018); and approval of the Afghan government’s National Peace and Development Framework (ANPDF), outlining its five-year strategic framework for achieving self-reliance in the Transformation Decade (2014–2024). This commitment came in the form of pledges (\$15.2 billion, or \$3.8 billion annually, for the next four years) that will be essential in filling the country’s large structural fiscal gap.¹⁰

While there have been impressive revenue growths and achievements

7. Ibid. pg. 15.

8. Bryd, William. «What Can Be Done to Revive Afghanistan’s Economy?» United States Institute of Peace, Special Report 387, February 2016, 9.

9. Specific, Measureable, Achievable, Realistic, and Time-Bound (SMART).

10. «Partnerships for Prosperity and Peace.» Brussels Conference on Afghanistan, October 15, 2015.

in 2015–2016 as highlighted in Brussels, we must recognize that they seem particularly significant because they are seen in the backdrop of Afghanistan’s challenging context. However, that does not mean there has been substantial improvements or that Afghanistan’s economic struggles are a thing of the past. Revenue collection in 2015 increased by 22% and in the first six months of 2016, it exceeded projections and increased by 33%.¹¹ This increase was a result of greater revenue mobilization efforts of the government, new or higher tax rates, and an 18% depreciation of the Afghani.¹² However, the growth in revenue was not based on substantial improvements in the economy. On the contrary, the Afghan economy remains fragile. Real GDP growth in 2015 was estimated at only 0.8% – lower than earlier projections; and in 2016, economic growth has been estimated at only 2%.¹³ Let us not forget that this figure is below the estimated 3% rate of population growth, which means the average per-capita income is actually decreasing.¹⁴

Still, the integrated approach the NUG has initiated as part of the ANPDF provides a good framework for tackling these issues and bring about sustained revenue growth in the next four years. However, it remains to be seen whether the NUG could do on the ground what it has promised on paper.

As mentioned earlier, the ANPDF provides a fundamental framework in this regard; but its commitments remain broad and unrealistic to achieve by 2020. These include delivering a real economic average growth of 5% annually until 2020; achieving real increases in actual development budget expenditure of 10–15% annually within the medium term; and realizing annual increases of 10–12% in actual domestic revenue collected with the objective of making domestic revenue contribute

11. Byrd, Bill, and Khaled M. Payenda. "Afghanistan’s Government Revenue: Continuing Robust Growth in the Face of Economic Weakness." Afghanistan Analyst Network. September 1, 2016. <https://www.afghanistan-analysts.org/afghanistans-government-revenue-continuing-robust-growth-in-the-face-of-economic-weakness/>.

12. Ibid.

13. Ibid.

14. Ibid.

approximately 14% to Afghanistan's GDP by 2020.¹⁵

The NUG has also promised sustainable creation of employment opportunities in its 11 National Priority Programs that includes five new ones and six ongoing initiatives: institutionalizing public sector reforms by warranting improved application policies and strategies; implementing the government's Anti-Corruption Plan; tackling illicit drug trade by pushing for alternative livelihoods for farmers while enforcing laws against money laundering and drug trafficking; creating an enabling environment for the private sector by reducing red tape, clarifying property titles, facilitating exports and providing reliable supplies of electricity and access to transport; reducing poverty through an anti-poverty approach that includes the Citizen's Charter; and ensuring women's full economic participation in national development.¹⁶

As an organization that aligns its policy research to relevant national policy issues, plugging the knowledge gaps and offering sound alternative solutions to policymakers the 2nd edition of DROPS Women and Public Policy Journal (WPPJ) presents a timely and noteworthy collection of essays focused on analyzing the national economic priorities the NUG has set for achieving economic self-reliance in the Decade of Transformation.

This theme of this edition based on the framework of the 'Towards Self-Reliance Strategic Vision for the Transformation Decade' (agreed upon at the 2012 Tokyo Conference) that saw the country commit itself to: assuming and leading all development initiatives by 2015; paving the way for economic growth, fiscal sustainability and sustainable human development by 2025 - allowing it to reach the end of the Decade of Transformation with a reduction in its dependence on international assistance in non-security sectors to levels consistent with other Least Developed Countries. Drawing from the economic priority areas set by the NUG to achieving self-reliance, authors of the second edition of the WPPJ provide an important lens to the development process that is central to the progressive realization of state-building and democratization.

15. 'National Peace and Development Framework.' The Islamic Republic of Afghanistan, 2016-2021

16. Ibid.

This peer-reviewed framework provides ten essays that offer a gender lens examining how each economic priority area can help stem and reduce the deepening economic crises the country is currently facing, in addition to providing recommendations towards achieving sustainable and long-term economic growth in areas highlighted in the SMART-SMAF and the ANPDF.

Tania Aria offers a gist on the role effective public policies could play in shaping and supporting private sector investment and filling the gaps in the labor market.

Zohal Atif discusses the interconnectedness between Afghanistan's economic stability and its national security. She describes the importance of developing regional partnerships with neighbor China in safeguarding Afghanistan's economic security and sovereignty.

Naheed Sorabi links private sector growth to greater involvement of women entrepreneurs. She argues that incentives in the areas of improved policy, program, legal and regulatory frameworks are insufficient to facilitating greater role for women in the private sector.

Mariam Wardak evaluates the impact of the insurgency on the Afghan economy. She illustrates how the Taliban have contributed to weakening the economy through the production and trafficking of narcotics, illegal mining, and the escalation of conflict.

Atifa Safi assesses the various interventions the Afghan government has undertaken towards increasing women's involvement in the economy. She stresses that while these undertakings have brought about positive changes, they remain inadequate in tackling the constraints that hold women back from becoming active participants in the economic sector.

Sona Mahmody lays focuses on how improving the implementation of rule of law could help improve the Afghan economy. She looks at the relationship between economics and rule of law and how the Afghan government lacks the capacity and resources to build a sustainable connection between institutions and fundamental economic processes.

Dilawaiz Hashimi delves into the challenges Afghanistan has encountered in developing its human capital. She looks at the role international state-building and donor funding in the past fifteen years and explains why these efforts have not been able to generate the pool of educated and skilled workforce, and what this means for Afghanistan as it moves into the Decade of Transformation.

In the eighth article, Rahela Sidiqi presents a comprehensive understanding of the challenges and possible solutions for facilitating women's participation in the economic market. She identifies how complicated legislation, piecemeal programs, insufficient coordination by key stakeholders and lack of adequate support for creating an enabling environment have contributed to building barriers for female entrepreneurs.

In the two-part Policy Paper, the DROPS research team offers an in-depth analysis on the importance of regional cooperation in optimizing Afghanistan's economic potential towards becoming a hub for trade and transit. The team looks specifically at the status of economic cooperation between Afghanistan and its Central Asian neighbors, argues that this engagement remains limited, and proposes measures to strengthen bilateral and multilateral economic cooperation between Afghanistan and Central Asian Countries.

In her book review, Ayesha Al-Hashimi, provides a detailed review of Christina Lamb's book, 'Farewell Kabul: From Afghanistan to a More Dangerous World'. Ayesha highlights the author's firsthand experiences, direct observations and encounters with different crucial figures, such as former Afghan President Hamid Karzai, to illuminate the factors that have led the author to conclude in her book that the US' involvement in Afghanistan was a failure and that Pakistan as a result remains a perennial worry and threat to Afghanistan's stability and peace.

We are appreciative of the support lent to us by our editorial board and are indebted to the authors who have contributed nuanced analysis on these issues. We are grateful to the peer reviewers, whose proficiency and hard

work has culminated in the accomplishment of this issue. We are also very thankful the National Endowment for Democracy for their guidance and support in making the second edition of the Women and Public Policy Journal a possibility.

We hope our readers in Afghanistan, the region, and elsewhere in the world will be able to utilize the nuanced recommendations offered in this issue and continue to lend us their support.

Mariam Safi

Co-Founder and Director

The Organization for Policy Research and Development Studies (DROPS)

November 2016

Developing Effective Public Policy to Encourage Private Sector Investment in Afghanistan

By Tania Aria¹

This paper discusses and analyzes the role of effective public policy development aimed at the private sector in fragile and conflict-affected states, with a focus on Afghanistan. Beginning with a background of the Afghan economy, and private sector development in the country, the paper highlights the effective methodologies of policy development and its role in encouraging private investment in Afghanistan through a review of the performance of private sector development-related policies and reforms at the national and local levels. It also analyzes the extent to which imported reform models have been effective and how much they reflect local capacity constraints; and the lessons learnt from other conflict affected countries based on a comprehensive desk study and analysis of the policies, literature and relevant papers, discussions, and conference reports written on private sector development, particularly on Afghanistan. It also considers international efforts to support the private sector in fragile and conflict-affected settings to date, identifying gaps and making recommendations to address them. The paper does not focus on detailed performance or reforms in each sector. It concentrates on key strategic issues, challenges, and solutions.

1. Tania Aria is Regional Manager, Promote: Women in the Economy, Development Alternatives Inc.

WHY IS PRIVATE INVESTMENT (PI) IMPORTANT?

Economic background of the country from centralized to free market economy

In 2002, private sector development and inclusive growth was included as one of the three pillars in the country's very first governmental strategy document (the 2002 National Development Framework). The other two pillars were: (i) Humanitarian, Human and Social Capital; and (ii) Physical Construction and Natural Resources.²

Following that, in 2004, the new constitution introduced free market-economy as Afghanistan's economic system under Article 10 of the country's constitution. Article 10 provides that "the state shall encourage, protect as well as ensure the safety of capital investment and private enterprises in accordance with the provisions of the law and market economy." Where the government is known as policy maker and regulator and not as a competitor to the private sector. There are different opinions on the effectiveness and impact of this transition. Some believe that market economy is responsible for the country's current adverse economic and social conditions. The perception of "high prices, low quality, and anyone can do whatever they want" is partly due to the mindset created due to the negative implications of adopting free market economy model.³ This illustrates that the implications of this premature transition had a significant negative bearing on the economy of the country and resulted in consumers getting exploited.

Furthermore, because of this premature transition, institutions were not ready, and the resultant manipulation of consumers then undermined the population's support for the market.

Many believe that it would have been better to have had an evolution or slow transition through a mixed economic system under which the government would maintain control of certain industries and privatize others. Some point out that the Western free market had undergone

2. Kabul, Afghanistan. National Development Framework. Vol. 2. April 2002.

3. Afghanistan. United States Institutes of Peace. Afghanistan Economic Policy, Institutions and Society Since 2001. By Paul Fishstein and Murtaza Edries Amiryar. Special Report 383. October 2015.

improvements and reforms over decades, whereas Afghanistan was being forced through this transformation too quickly. However, supporters recognize the improvements in living standards, access to education and health services, communication technology, free trade and active media as the dividends of adopting free market economy. World Bank statistics demonstrate a robust growth trend in the Afghan economy since 2003. From 2003 to 2013, an average GDP growth rate of 10% per annum was recorded. The country is slightly improving, as economic growth increased only marginally from 1.3% in 2014 to an estimated 1.5% in 2015 in the transition years.⁴

Although assistance from the international community - particularly from the US - has been a major factor behind this growth, much of the economic boom is a result of Afghanistan's adoption of a "market economy." The government continues to pursue policies that further encourage private sector investment.⁵

The Afghan government also recognizes that the development of a vibrant private sector is crucial to the reconstruction of an economy impaired by decades of conflict and mismanagement. The government has in principle committed to fostering private-sector-led economic development projects and increasing domestic and foreign investment, as reflected in the Afghanistan National Development Strategy (ANDS), which focuses on three components⁶ (ANDS 2008-2013):

1. Strengthening the enabling environment that will encourage a competitive private sector
2. Expand the scope for private investment in developing national resources and infrastructure
3. Strengthen efforts to promote investment from domestic sources, the Afghan diaspora and foreign investors.

4. "GDP Growth (annual %)." World Bank. 2015.

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AF>.

5. "Afghanistan National Development Framework (NDF)." Harvard- Kennedy School.

<https://sites.google.com/site/afghanpolicysite/Home/afghanistan-national-development-framework-ndf>.

6. "Afghanistan Investment Support Agency." AISA. 2016. <http://www.aisa.org.af/en>.

The Afghanistan Investment Support Agency (AISA) is responsible for facilitating registration, licensing and promotion of all investments in Afghanistan. So far it has registered about 44,838 domestic companies and about 3307 international companies.⁷ It is widely understood within Afghanistan's private sector, especially among international companies operating in Afghanistan, that while starting a business in Afghanistan might be relatively easy, renewing a business license can be a difficult exercise. Most AISA licenses must be renewed annually and applications for renewal are contingent upon certification from the Afghan Ministry of Finance (MoF) that all tax obligations have been met. Some companies have faced delays in their license renewals while the MoF audited their tax status, despite the MoF's assurance that such practices would not impede license renewal. According to credible private sector contacts, corruption and bribery related to the license renewal process are commonplace.⁸

JOB MARKET: PRIVATE SECTOR ACTIVITIES, CAPACITY, BENEFITS, CONSTRAINTS, AND IMPACT

Business activities are known as the source of employment and entrepreneurial opportunities. They cultivate inter-firm linkages, enable technology transfer, build human capital and physical infrastructure, generate public revenue for governments, and offer a variety of products and services to consumers and other businesses. This in turn has multiplier effects on social and economic development. If supported by responsible business practices, more inclusive business models, and financial, technical, institutional or policy innovations, they can make major contributions to poverty reduction and serve core business interests at the same time.⁹

From a broad and international lens too, the private sector is now recognized as a critical driver of economic growth, which contributes significantly to poverty reduction and higher living standards for poor

7. Afghanistan. U.S. Department of State. Investment Climate Statement 2015. June 2015.

8. "The Fortune at the Bottom of the Pyramid." Strategy Business. January 10, 2002. <http://www.strategy-business.com/article/11518?gko=9a4ba>.

9. "Development Impact." International Finance Corporation.

http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Development_Impact.

people. It provides critical goods and services and is a known source of most tax revenues. Public and private sectors can be most effective when they work together, where public sector is responsible in creating a healthy environment for investment and business activity. Based on the International Finance Corporation's (IFC) model, effective and strong advisory services and proper investment climate plays a huge role in generating sustainable private investment. Thus, the demonstrative effects of sustainable private investment led from a sustainable private sector development to economic growth and improves living standards and poverty reduction.¹⁰

In the context of fragile and conflict affected states, private sector development requires special policies and instruments because of the circumstances involving distortions caused by conflict; the probability of a return to violence; and having the world's most challenging business environments, often with the most bureaucratic hurdles and the fewest property protections for entrepreneurs. A prosperous legal, private sector is essential to development and peace, as it provides livelihoods and growth, while delivering revenue streams in the form of taxes so governments can provide services to their citizens.¹¹

The World Bank's 2015 report on measuring business regulations places Afghanistan at the 177th position out of the total 189 countries of the world. Private sector engagement has significantly increased during the last decade. The services sector constitutes 51.3% of the total GDP while agriculture and manufacturing sectors comprise 24.3% and 20.9% respectively. Being a consumer country, the total value of import is \$7.7 billion and the value of export is \$570 million. Currently, there are eight functional industrial parks in the major cities of Afghanistan, including Kabul, Herat, Nangarhar, Kandahar, and Balkh; and 11 more industrial parks are under construction in Kabul, Logar, Helmand, Herat, Khost,

10. Peschka, Mary Porter, James J. Emery, and Keith Martin. World Development Report 2011: the Role of the Private Sector in Fragile and Conflict-Affected States. Background Paper. Worldbank. 2011.

11. Parker, David, and Colin Kirkpatrick. Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons. Working paper no. 55. Centre on Regulation and Competition. July 2003. <http://ageconsearch.umn.edu/bitstream/30623/1/cr030055.pdf>.

Parwan, Ghazni, Maidan Wardak, Kunduz, Nangarhar and Faryab provinces. Despite the aforementioned facts and figures, the precarious security situation, and the persisting political uncertainty continue to undermine private sector confidence and affect economic activities in Afghanistan. Domestic demand remains weak, with no signs of an uptick in private consumption and investment.

Lack of electricity, lack of access to land, corruption, lack of access to finance, and anti-competitive practices are the main constraints for the private sector in developing countries.¹² In the case of Afghanistan, apart from the abovementioned constraints that turned to be consistent, lack of access to advanced technology/machinery and knowledge, high taxes and limited to non-existent transit policies, absence of insurance services, lack of qualified human capital, absence of quality standards, and burdensome administrative procedures, are making the private sector development even challenging and critical. Additionally, weak policy enforcement and security remain the primary concerns for investors¹³; Roundtable consultation with Private sector by ASIA 2007). Foreign firms operating in the country reported spending a significant percentage of their revenues on security infrastructure and operating expenses.¹⁴

Despite the existence of a nascent private sector that bears and faces many challenges, the Afghan government and its partners have made considerable reforms to the sector. In terms of improving the legal framework, many laws including Private Investment Law (2005), Law of Afghanistan Chamber of commerce and Industries, Commercial Arbitration Law, Commercial Law, Law of Tax on Consumer Goods, Income Tax Law (2009), Custom Law, labor Law, Environmental Law, and Insurance Law have been enacted, and in many cases, put into practice.

12. Ibid

13. Aria, Tania. «Economically Empowering Afghan Women to Lead and Bring About Change.» Central and South Asia Business. September 05, 2014. <http://csabusiness.com/economically-empowering-afghan-women-to-lead-and-bring-about-change/>.

14. Afghanistan. U.S. Department of State. Investment Climate Statement 2015. June 2015.

Additionally, a number of supporting institutions and initiatives have been established with varying but connected mandates to serve the private sector. These institutions include the Afghanistan Investment Support Agency (2004), the Afghanistan Chamber of Commerce and Industries (2004), the Export Promotion Agency of Afghanistan, the Harakat-Afghanistan Investment Climate Facility Organization, Afghanistan National Standard Agency and the Afghanistan Centre for Dispute Resolution (ACDR) (2014).

The Afghan government's national level strategic plans have also included allocations for Private Sector Development (PSD) efforts. As a stand-alone National Priority Program (NPP) cluster, PSD first appeared in the Afghan Government's National Development Strategy in 2008¹⁵ (ANDS 2008). The PSD cluster covered the NPPs of Integrated Trade, SME (small and medium-sized enterprise) Support, and e-Afghanistan. An SME Strategy was introduced in 2009 by Ministry of Commerce and Industries (MOCI), but the implementation did not begin until the establishment of an SME Directorate within the MOCI in 2011. The SME strategy aims to promote sectors in which Afghanistan possesses competitive advantage across varying value chains that are 'labor-intensive' and with strong rural presence. A New Market Development Project (NMDP) designed to revitalize the private sector in four major urban centers - Kabul, Nangarhar, Balkh and Herat - was also launched in 2011. On the donors' side, PSD efforts have become the focus of financial and programming efforts in the recent years. Ongoing or recently concluded efforts by the donor community for PSD range from matching grant programs for SMEs, rural enterprise and market linkages projects, value chain development projects, and programs promoting female entrepreneurship¹⁶

15. Afghanistan National Development Strategy 1387 - 1391 (2008 - 2013) - A Strategy for Security, Governance, Economic Growth and Poverty Reduction. Report. Afghanistan National Development Strategy. 2008. http://www.af.undp.org/content/dam/afghanistan/docs/ANDS_Full_Eng.pdf.

16. Ghiasy, Richard, Jiayi Zhou, and Henrik Hallgren. Afghanistan's Private Sector - Status and Ways Forward. Report. Stockholm International Peace Research Institute. October 2015. https://www.sipri.org/sites/default/files/2016-04/SIPRI_Afghanistans-Private-Sector_Report-2015.pdf.

The priority accorded by Afghanistan's incumbent National Unity Government's (NUG) to economic growth and private sector development has been a hallmark of its mandate since its establishment. The NUG's focus on Afghanistan's regional connectivity via numerous regional gatherings and investments has the potential to develop the private sector considerably. At the 2014 London Conference, the NUG committed that improving Afghanistan's business enabling environment is its top priority. About 11 private sector priorities developed by key private sector actors were presented to Afghan government and international community.

IMPACT OF PRIVATE SECTOR ON THE LABOUR MARKET

Employment is among the most crucial issues in countries affected by fragility and conflict. The private sector can also offer unique potential for business and trade fostering both local economic growth and foreign investors. Lack of capital is one of the distinctive characteristics of such states. Therefore, there is a need to attract private investment to create jobs and economic growth. Equally important is the need for private sector actors to be more aware of how their business practices fragile country contexts and what can be done to ensure that their investments contribute as effectively as possible towards sustainable peace and development. Literature shows that there have been good investments in the extractives industries (oil, gas and mining) with tremendous potential to generate significant revenues to support state-building efforts, while boosting local employment, private sector investment and job creation.

The AISA has registered approximately 44,838 domestic and 3,307 international companies in Afghanistan so far. These enterprises created 937,526 employment opportunities for Afghan the labor market and 55,119 opportunities for international experts¹⁷. The figures clearly demonstrate that if the investment climate is further improved and supported well by the government and the donor community, there is

17. 'Afghanistan Investment Support Agency.' AISA. 2016. <http://www.aisa.org.af/en>.

enough potential in the private sector to create further employment opportunities and generate revenue, and consequently, improvement in living standards.

POLICIES: HOW THEY POSITIVELY AND NEGATIVELY IMPACT THE ACTIVITIES OF THE PRIVATE SECTOR

If governmental bodies regulating business environment are supported, they can lead and instruct integrity and accountability in a professional and healthy investment climate that are key to restoring government legitimacy.¹⁸

An example of this positive impact was Liberia, where the World Bank Group and the Swedish International Development Cooperation Agency teamed up to rebuild the private sector and attract investors. Its investment climate program generated \$13 million in private sector investments for the 2008–2010 period; created over 20,000 jobs; generated private sector savings totaling \$4.7 million; and moved Liberia up from 177 to 149 in the annual Doing Business ranking. Moreover, in 2010, the World Bank recognized Liberia as one of the Doing Business top 10 global reformers. Such results were obtained by supporting the Liberian government in its business regulatory changes¹⁹.

Another example is “The Afghan First Policy”, adopted by the US military in 2008 and later by the North Atlantic Treaty Organization (NATO) in 2010, which committed in country international forces to procure goods and services locally, whenever possible. This brought large and guaranteed markets directly to domestic producers, helped sustain local businesses, of which the local beverage industry was a more notable beneficiary²⁰. According to the USAID, the Afghan First Policy supported the employment of 85,650 Afghans through its contracts

18. “Development Impact.” International Finance Corporation.

http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Development_Impact.

19. Peschka, Mary Porter, James J. Emery, and Keith Martin. World Development Report 2011: the Role of the Private Sector in Fragile and Conflict-Affected States. Background Paper. Worldbank. 2011.

20. Ghiasy, Richard, Jiayi Zhou, and Henrik Hallgren. Afghanistan’s Private Sector – Status and Ways Forward. Report. Stockholm International Peace Research Institute. October 2015. https://www.sipri.org/sites/default/files/2016-04/SIPRI_Afghanistans-Private-Sector_Report-2015.pdf.

between 2008 and 2010.

On the other hand, weak administrative reforms in combating the high levels of corruption create further barriers for and negatively impact the private sector. Before the establishment of the NUG, the corrupt or inefficient managers in Afghanistan's government agencies were typically not fired; and were instead transferred to other positions. This represented a much weaker form of administrative sanction.²¹ Such ways of countering corruption are less likely to build the investors' trust and interest in investing in Afghanistan because this directly influences their business, particularly the traders.

However, later, the case of the unprecedented firing of forty corrupt or inefficient senior staff, including some ten customs and revenue directors and thirty managers, sent a powerful signal to improve tax collection efforts and discouraged bad behavior among other staff. This definitive action reflects the government's accountability and in turn contributes towards building an enabling business environment. Another example is the 2015 "technical" process improvements and reforms in customs, which were, "upgrading the ASYCUDA software and its implementation in 90% of customs units; implementation of valuation, risk management, and border management modules; commencement of E-payment in two customs houses; and initiation of auto messaging to customers. In the Afghanistan Revenue Department (ARD), numerous policy and technical measures were implemented."²²

Access to finance is the other key element in private sector development. Financial services are essential to jumpstarting activity and enabling medium and long-term business growth. "Changes in bank credit to the private sector have a significant effect on private investment, such that a reduced flow of real credit to the private sector, for whatever reason, causes real private investment to decline. Second, an increase in the

21. Byrd, William A., and M. Khalid Payenda. "Afghanistan's Revenue Turnaround in 2015." United States Institute of Peace. February 24, 2016.

<http://www.usip.org/publications/2016/02/24/afghanistan-s-revenue-turnaround-in-2015>.

22. Peschka, Mary Porter, James J. Emery, and Keith Martin. World Development Report 2011: the Role of the Private Sector in Fragile and Conflict-Affected States. Background Paper. Worldbank. 2011.

infrastructural component of government capital formation raises private investment, but similar increases in other kinds of public investment appear to result in some crowding out”²³

Finance is Afghanistan’s second-largest service industry (after telecommunications) and is potentially an important driver of private investment and economic growth. Yet, due to the high interest rate, investors hardly turn to banks to fulfill their financial needs. The difficulty of accessing credit through banks and other formal financial institutions makes existing firms dependent on family funds and retained earnings, thereby limiting opportunities for entrepreneurialism, and reinforces dependence on the informal financial sector²⁴.

PRIVATE SECTOR DEVELOPMENT POLICIES / PROGRAMS CAN INCREASE PI, IF THEY:

1. Are developed based on a bottom up approach
2. Possess sufficient implementation capacity
3. Are adaptive to environmental change, and ensure sustainability

A bottom up approach to policy development ensures relevance of policy to the needs of the market

Private sector activities are dependent on several market needs, such as sufficient demand in the relevant sector, friendly infrastructure in terms of access to land and reasonable electricity, availability of financial resources, and fair business regulations.

Claim 1: The policies give realistic results and conclusions if conducted properly and are based on literature, studies and statistics.

For any policy or program obtaining information on the background, knowing the unique characteristics of the specific contexts, identifying

23. Blejer, Mario I., and Mohsin S. Khan. "Government Policy and Private Investment in Developing Countries." Staff Papers – International Monetary Fund 31, no. 2 (1984): 379–403. doi:10.2307/3866797.

24. Otto, Jeffrey L. Afghanistan Investment Climate Statement 2015. Report. U.S. Department of State. June 2015. <http://www.state.gov/documents/organization/241662.pdf>.

the main players of the game, and learning from similar practices in other contexts, are essential. It ensures developing the appropriate policy/program for a problem in an appropriate context. Therefore, high significance is placed on research and pre-assessments, as it analyzes the context from multiple prospects and thus ensures proper implementation. Unfortunately, in the Afghan context, the policies and programs are usually developed from the top or even replicated from other countries without taking the ground realities into account. One of the examples was the adoption of market economy immediately after the governing system of state controlled economy. This rapid adoption without preparing the required ingredients - such as infrastructure, sufficient and up-to-date laws and regulations, and the familiarization of the concept of market economy in government institutions, private sector and people in general - led to the exploitation of consumers and establishment of mafias. It resulted in a very limited engagement of the private sector in its real terms where the market competition between demanders and suppliers ensures fair price determination and high quality of goods and services.

Externally imposed private sector development reforms are ineffective. This approach can increase the risk of a return to conflict too. To sustain reforms over the long term, a cooperative partnership between the national government, local businesspeople, and the international community is required. Private sector development related reforms deliver results only after five or more years, and it is even more important to cooperate, coordinate, and sustain funding and support.

The other prominent case is the neglect of the Afghanistan's informal sector, which, according to the World Bank (2005), is responsible for 80-90% of the Afghan economy activity and has not changed over the past decade. According to the MOCI, to expand private sector development, the informal sector's needs should be addressed, including family-run businesses, informal enterprises, and self-employed men and women engaged in entrepreneurial activities. Despite the massive contribution of the informal sector to the Afghan economy, it has remained unaddressed and under-served by policy makers and stakeholders. Policy makers are required to establish relationships with informal sectors to consider

Afghanistan's more traditional trade associations. For instance, informal workers are not included in the 2007-labor law. This increases the vulnerability of this large section of the market and traps them further in the vulnerability cycle.

Claim 2: The bottom up model includes advocacy activities by private sector lobbyists and addresses the underlying grass-root concerns, which is extremely important. In Afghanistan, the initial private sector reform efforts were divided by donor country, with the US taking the lead on investment reform. For example, USAID contractors drafted the new investment law in English. Later, it was translated into national languages for a limited scope of local Afghan input.

This local input was heavily extracted from government officials, and included very minimal consultation with the actual private sector representatives from Kabul. This increased frustration among the private sector representatives, generated a sense of being under-served and skipped ground realities²⁵.

The benefit of the bottom up approach in drafting private sector development policies is that it includes expert consultations and brainstorming with the real actors (investors) where they can lobby for pointing the important issue to be addressed. Therefore, it leads to prioritizing the key challenges that need to be given more consideration, instead of letting policies be thrown to them. For instance, policies to improve the investment climate in Afghanistan will be far more significant in promoting growth and investment than focusing on the privatization process - which include developing policies to strengthen investment climate, and providing incentives to domestic investors for investing, among others. Measures urgently required for Afghanistan's economic development, such as the drafting of legislation enabling investment and the resolution of issues of infrastructure and land access should be

25. Peschka, Mary Porter, James J. Emery, and Keith Martin. World Development Report 2011: the Role of the Private Sector in Fragile and Conflict-Affected States. Background Paper. Worldbank. 2011. <http://documents.worldbank.org/curated/en/887641468163482532/pdf/620590WP0The0R0BOX0361475B-00PUBLIC0.pdf>

prioritized over policies that are not as fundamental to achieving private sector driven growth such as privatization²⁶

The role of the most influential lobbyists in private sectors areas such as associations, unions, NGOs, business networks and foundations (if properly equipped and functional) should be recognized through actively participating in the pre-consultation and drafting of laws, regulations, policies and procedure. With the same influential power, these units can also be very effective in implementation and monitoring of such initiatives.

Founded in 2004, the Afghanistan Chamber of Commerce and Industries is considered to be the country's leading voice of the private sector to represent domestic and foreign companies in all matters pertaining a conducive environment. Having 25 provincial branches, its current membership exceeds 65,000 companies and 164 business unions, association and cooperatives that represent a majority (90%) of the total Afghan workforce. It is in direct contact with the relevant government and non-government agencies, conducts special meetings with the Afghan president and participates in economic committees to draft new business related laws and revise old ones.²⁷

From a gender-based perspective, female entrepreneurs face more challenges in running their enterprises in Afghanistan. They suffer from the social constraints, limited to no financial collateral and limited exposure opportunities in addition to the general constraints of private sector development in Afghanistan²⁸. Therefore, women business associations should be even given even more attention and support to better enable them to represent the economically active female population of Afghanistan in the private sector. This could help bridge the gender gap by making job opportunities more accessible to women than they

26. Paterson, Anna, James Blewett, and Asif Karimi. *Putting the Cart Before the Horse? Privatisation and Economic Reform in Afghanistan*. Briefing Paper. Afghanistan Research and Evaluation Unit. November 2006. 18.

27. "About Us: Afghanistan Chamber of Commerce and Industries." Afghanistan Chamber of Commerce and Industries. 2016. <http://www.acci.org.af/about-us/about-acci.html>.

28. Aria, Tania. "Economically Empowering Afghan Women To Lead And Bring About Change." *Central And South Asia Business*. September 05, 2014. <http://csabusiness.com/economically-empowering-afghan-women-to-lead-and-bring-about-change/>.

currently do. The Afghan Women's Business Federation (founded in 2005) is the main national umbrella organization for Afghan women active in businesses. Structurally, the AWBF is a combination of business associations, women's SMEs and communities that aims to provide high quality services for women in the country. It currently represents 170 associations. In the past decade, several women business associations have been established, lobbying for their fellow entrepreneurs. However, due to the insufficient capacity of these associations in terms of expertise, skills, structural settings and financial resource, their services are inadequate to represent women SMEs' engagement in Afghanistan.

There also exist considerable gaps between the characteristics of urban and rural enterprises. Enterprises are more connected in urban areas and less connected in rural areas suffering from the lack of the corresponding organized representation of interests, despite their active contribution to the business sector and generally, to the country's economy. A very good example is the agricultural processing sector, which accounts for 90% of the country's manufacturing. Agriculture sector employees constitute 60% of the rural workforce and yet they are underrepresented due to the lack of active and strong associations²⁹.

Claim 3: A bottom up approach also ensures the stakeholders' engagement and active dialogue for a comprehensive and sustainable policy development. Public information is needed on all levels. Lack of collective engagement and inclusive consultation between the stakeholders could cause persistence and poor implementation processes. Thus, partnerships between the main players of the game, including public and private sectors, donors, and civil society can lay the foundations and identify priorities to rebuild markets and investor confidence, while ensuring that private sector practices strengthen the local economy and support the livelihoods of the people via responsible smart investment.

29. Ghiasy, Richard, Jiayi Zhou, and Henrik Hallgren. Afghanistan's Private Sector – Status and Ways Forward. Report. Stockholm International Peace Research Institute. October 2015. https://www.sipri.org/sites/default/files/2016-04/SIPRI_Afghanistans-Private-Sector_Report-2015.pdf.

Unfortunately, a general weakness of many aspects of the previous Afghan economic policy was vis-a-vis presenting to the public a clear and consistent overarching strategy. However, the NUG's clear strategy and commitment in favor of the private sector was declared in the 2014 London Conference via active participation of private sector leaders and by identifying 11 priorities for the Decade of Transformation.

Well-developed policies require strong political will and extensive institutional capacity to ease effective implementation

Case 1: Brinkerhoff (2000) defines the political will as “the commitment of political leaders and bureaucrats to undertake actions to achieve a set of objectives and to sustain the costs of those actions over time.” Political will is one of the key factors when it comes to policy effectiveness. Published notes claim that “a legislature, a group of legislators, or individual legislators, make an effective use of the oversight tools at their disposal, only when they have the political will to do so”³⁰. Political will also ensures participatory governance, which in turn leads to enhanced development, due to better-informed policies, more responsive programs, and more efficient and equitable service delivery.

There is plenty of evidence that confirms that the lack of political will opens the doors for resistance and subsequently, corruption. Absence of political will is known as a principal obstacle in promoting participatory governance, outranking other obstacles such as lack of knowledge and skills, limited citizen capacity, a disabling political/policy environment, and lack of access to public information³¹. Carmen Malena (2009) illustrates that the lack of political will is due to the limited information on its benefits and importance at government officials' end. Therefore, often, there is initial resistance from political players and government

30. Pelizzo, Riccardo, and Rick Staphenurst. "Oversight Effectiveness and Political Will: Some Lessons from West Africa." *The Journal of Legislative Studies* 20, no. 2 (November 15, 2013): 255–61. doi:10.1080/13572334.2013.829277.

31. Malena, Carmen. *Civicus Participatory Governance Programme 2006–2008 Concept Note*. Report. Civicus. June 2006.

http://www.civicus.org/downloads/pg/PG_Annex6_ConceptNote.pdf.

officials who are unfamiliar with such approaches, unconvinced about the benefits of participation and threatened by the prospect of power-sharing, distrustful of civil society actors, or intolerant of what they see as illegitimate meddling in the affairs of government.

The Afghan government's efforts to build an enabling environment for a competitive private the infrastructure; and to promote investment, have been limited by institutional capacity, rent seeking behavior, and the political will to undertake necessary reforms."³² This could be due to the limited familiarity of collective impact approaches, existence of the large scale of corruption, or simply, limited infrastructure settings and lack of resources.

Case 2: Institutional capacity is one of the other essentials required for better implementation and impact of policies. Particularly when it comes to the business sector, governmental entities should be qualified and smart enough to deal with the initial responses from its counterparts. In the context of private sector development, sustainable reforms must focus on developing local capacity - both within the private sector itself and within the government administration that oversees private sector development-related regulations and reforms. This includes incentives for employers to implement vocational programs, a strong focus on training teachers, prioritizing education, building the capacity of regulators, judges, courses and training on basic accounting, finance and trade, among others. Additionally, the conflict itself has often resulted from weak or absent institutions, including those regulating the private sector. For instance, in Afghanistan, the decade of Mujahideen and Taliban rule was marked by the collapse of private sector-related institutions, such as the chambers of commerce³³.

32. Otto, Jeffrey L. Afghanistan Investment Climate Statement 2015. Report. U.S. Department of State. June 2015. <http://www.state.gov/documents/organization/241662.pdf>.

33. Peschka, Mary Porter, James J. Emery, and Keith Martin. World Development Report 2011: the Role of the Private Sector in Fragile and Conflict-Affected States. Background Paper. Worldbank. 2011. <http://documents.worldbank.org/curated/en/887641468163482532/pdf/620590WP0The0R0BOX0361475B-00PUBLIC0.pdf>

There is bulk of evidence that questions the proper implementation of laws, policies and regulations that has reduced the expected impact of the respective policies and programs. For instance, access to foreign exchange for investment is not restricted by any law or regulation. In practice, however, particularly in the provinces, many banks might not have the capacity to deal with foreign exchange. There are large, yet informal, foreign exchange markets in major cities and provinces such as Jalalabad, Kabul, Kandahar, Herat and Mazar-e-Sharif, where US dollars, British pounds, and Euros are readily available. Moreover, entities wishing to buy and sell foreign exchange in Afghanistan must register with the central bank, the 'Da Afghanistan Bank', but thousands of unlicensed money changers ('hawalas') continue to practice their trade."

Policies must be adaptive to incorporate environmental changes to the private sector's favor

Rational behavior by private sector calls for withholding investment in cases of uncertainty and crucial business environment. Literature shows that "even moderate amounts of policy uncertainty can act as a hefty tax on investment, and that otherwise sensible reforms may prove damaging if they induce doubts as to their permanence."

The context and environment for doing business changes over time, bringing challenges and opportunities along with them. Changes in the environment could be challenging for private sector, particularly when it contradicts with the objectives of the programs or policies enacted and shaped with the private sector in mind. Therefore, policy makers should be aware of the potential changes in the business environment while designing policies. Evidence supports that regulations should adjust quickly to changing technical and economic circumstances³⁴.

Indicators in the World Bank's 2015 Doing Business Ranking Methodology report show some positive and negative trends in Afghanistan's context in the period from 2008 to 2016. For instance,

34. Börzel, Tanja A., and Rachel A. Cichowski. *The State of the European Union*, 6 Law, Politics, and Society. Oxford: Oxford University Press, 2003.

Afghanistan's doing business improved in terms of access to credit information through launching a credit registry; strengthened secured transactions system via the implementation of a unified collateral registry; easier access to electricity by improving the efficiency of the electricity department; simplified business start-up by taking company registration out of the commercial courts; and establishing a new company registry that acts as a one-stop shop combining company registration, tax registration and publication in the official gazette; and introducing flat registration fees. However, the increase in the registration and publication fees, prolonged time required for registration, and increasing the payment frequency of tax for business from annual to quarterly, made the doing business difficult in Afghanistan. These positive and negative implications that were a result of some reforms should be well analysed and adjusted in future policies and regulations.

Case 1: Opportunities: Changes in the environment also bring some opportunities that should be identified and utilized to its maximum. This again requires sufficient awareness and strong analytical skills of the policy makers. For instance, the changing prices of imported goods because of damping policies of the neighboring countries to absorb the market demand caused a decline in the performance of domestic companies.

To address this concern, Article 6 of the Afghan tax law on consumer goods states that "if the price of imported goods is lower than the domestic goods, Ministry of Finance shall amend the customs tariff to support domestic products so, considering tax and customs duties, a balance between the price of domestic goods and imported goods will be maintained." However, the implementation of this law, given the high levels of corruption in customs departments, is the other aspect to assess.

On the positive side, being a fragile country has huge potential of investment with reasonable prices of raw materials and the first mover advantage, particularly for the foreign direct investment. Even social investments can be utilized alongside the core business activities. Such investment offers a win-win strategy for the investor and the

local community. For example, when Aga Khan's 'Roshan' invested in Afghanistan's telecommunications sector, the firm engaged tremendously with local communities, implementing corporate social responsibility initiatives and hiring villagers to guard its towers. These activities generated employment opportunities and general development to the local population and resulted in fewer tower attacks by the Taliban. It also resulted in lower security costs when switching from international to local security providers. Additionally, Roshan brought positive impact in empowering rural population by employing a unique model, in which tribes are paid a bonus if booster stations in remote areas stay functional for one year. Because of this telecom coverage, the renewed fighting and security risks are reduced.

Introducing new technology in the business can result increase in profit, access to bigger market and long lasting customers. To maintain these, Roshan introduced "M-PAISA", which provides financial services for people who do not have access to banks, and encourages economic activities with no transaction costs. Moreover, Roshan also made a positive impact on significant development issues battling corruption via mobile banking. "Police in Wardak province were used to earning 1,500 Afghanis per month as their salary; but once the police began collecting their salaries from M-PAISA Roshan dealers, they began receiving 3,500 Afs. Due to the skimming off the top, the police forces were unaware of their actual salaries.

Case 2: Sustainability assurance: Policies are not a one-time effort. They are processes. Therefore, it is crucial to ensure consistency and sustainability in policies that are designed, and in the implementation, to support private investments and give them incentives to grow more.

Establishing commercial sustainability needs a thorough study of the underlying context, relevant value chains, and the market. Maintaining successful results and models produced by a program after it comes to an end may require to be transformed to local actors. This would help donors move from a 'programmatic' approach to a more 'institutional' approach,

as well as help strengthening government capacity and legitimacy.³⁵

Raising the example of access to land, transparent laws on land tenure and property rights encourages entrepreneurs in the long term to invest and save their income. It not only protects land rights but also causes economic usage of land. Furthermore, it facilitates the possibility of using land as collateral in accessing financial resources, and eventually contributes to social stability and local governance.

The absence of clear land and property rights and corresponding enforcement can be considered a serious barrier to private sector growth. The Afghan government and the international community carried out numerous land reforms in 2009. Most notable was the establishment of Arazi as the country's single point for managing all land-related issues. While Arazi is entrusted with administering government land leasing to investors, due to limited resources, it is still unable to document the majority of land in the country that continues to go untitled (or inaccurately titled) and unregistered³⁶.

To sum up, Afghanistan's private sector has had several fundamental challenges, exacerbated by insecurity, corruption, and political uncertainty. Some of these challenges are extremely specific to Afghanistan as a land-locked country, while the others are similar to challenges in other post-conflict countries. The challenges have persisted for years and the current state of the sector also highlights numerous problems and constraints that will require years of policy development and implementation to improve the environment for conducting business.

Despite the challenges, numerous initiatives and institutions have been established to support the growth of the private sector. These policies have been effective in minimal ways with hundreds of issues and constraints prohibiting them from achieving their true potential towards effectiveness. The foundations of these institutions have been laid with

35. Ghiasy, Richard, Jiayi Zhou, and Henrik Hallgren. Afghanistan's Private Sector – Status and Ways Forward. Report. Stockholm International Peace Research Institute. October 2015. https://www.sipri.org/sites/default/files/2016-04/SIPRI_Afghanistans-Private-Sector_Report-2015.pdf.

36. Ibid

strong mandates and years of capacity-building, which have matured these organizations for better policy development and implementation in the country. Such policies must consider lessons learned from over a decade of expensive policy development in the country so that the private sector truly benefits from the NUG's strong focus on private sector development in years to come.

The approach to policy development for private sector growth has been primarily been imposed via external actors, and has been supply driven, with minimal active participation by the private sector. The argument also goes that, unfortunately, in the Afghanistan's context, policies and programs are usually developed from the top or even replicated from other countries without taking the ground realities into account. As the state of the private sector shows, such policies have largely been ineffective.

Private sector development policies can be effective and result in better outcomes for the sector if the development process of the policies is bottom up, putting the needs and requirements of the private sector growth as a priority. Policies must also be easily implementable, given the nascent nature of the private sector, the insufficient implementation capacity of the relevant institutions, and the complex nature of the environment. Simultaneously, policies must remain adaptive to the changes in the business and macro environment, especially in Afghanistan, where multiple simultaneous transitions can make policies irrelevant quickly.

Private Sector policies in Afghanistan must be developed in a bottom up approach, remain implementable, and ensure adaptability. Such policies should also:

- Consider a long-term vision for the sector, avoiding ad-hoc stand-alone initiatives that do not translate into a collective outcome.
- Focus on the sustainability of efforts in order to protect the gains of previous initiatives and ensure further investment in private sector outcomes.
- Include consistent evaluation activities that feed into the

adaptation of such policies in the face of the changes in the environment.

- Encourage private sector beneficiaries to make meaningful financial and technical contribution to development, implementation, and assessment of policies, so that the public and private institutions collectively share the investment as well as the outcomes.

Afghanistan–China Economic Partnership: How to Minimize Risks and Achieve Objectives

By Zohal Atif¹

Over the past decade, the international community in Afghanistan had been mainly focused on aid distribution rather than capacity building. This left Afghanistan, highly dependent on foreign assistance and provided less opportunity in developing its economy. Additionally, when in the post 2014 security transition, a mass exodus of International Non-Governmental Organizations (INGOs) and reductions in aid took place, the economy was severely affected. Thus bringing home the realization that Afghanistan's economic, political and social development is contingent upon its transition from donor dependency to self-sufficiency.

In order to strengthen the economy, Afghanistan's focus in the next decade should be on improving its economic partnerships. Given how economic, social and political harmonies are inter-dependent, a holistic and sustainable focus on economic development can help mitigate some of the causes of the ongoing war and insecurity. A daunting task, as war and insecurity adversely pose a formidable challenge to Afghanistan's quest for economic development and self-sufficiency. The solution to this puzzle can put Afghanistan on the track to economic development and national prosperity.

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One of the possible ways to resolve this issue is to forge stronger trade partnership with the economic powerhouse, China. China is one of the biggest economies in the world and its geographic proximity provides a great opportunity for Afghanistan to form trade partnership. China will also benefit from a stronger trade partnership with Afghanistan by utilizing its reserves of rare earths, gaining more markets for its products and a direct route to markets in the Caucuses and Central Asia. This paper will analyze the opportunities and challenges for Afghanistan in forming stronger trade partnership with China and presents recommendations for policymakers and actors to address the identified challenges.

ECONOMIC OPPORTUNITIES

One of the key elements needed to achieve economic prosperity in Afghanistan is to transition from donor dependency to self-sufficiency. For this transition to take place, Afghanistan needs to build its labour force and local industry. Decades of war has caused a massive brain drain in the country and the destruction of its education system and other sectors has left the subsequent generations without the necessary skills to rebuild the economy. Therefore, building a skilled labour force should be a priority. However, given the challenges facing the country in terms of security, a struggling economy, and the lack of resources, Afghanistan does not have the means to train its labour force. Greater partnership with China presents the prospect of increasing knowledge capacity and opportunities to train the country's work force. "China has some of the best vocational training institutes and higher education institutions in the region."² And China's geographic proximity to Afghanistan makes it economically reasonable for Afghan students to access its educational institutions and the opportunity to gain skills and the knowledge required to rebuild the economy. A skilled workforce will contribute to the growth of the economy. Afghanistan's investment in its human capital will reap greater economic benefits. In order to encourage the youth to take advantage of the Chinese training institutes, more scholarships should be devoted to the cause.

2. Asey, Tamim. "China: Afghanistan's New Hope." *Foreign Policy*, April 08, 2015. <http://foreignpolicy.com/2015/04/08/china-afghanistans-new-hope/>.

The second approach towards improving Afghanistan's economy is to create the right environment for the local industry to grow. One of the possible ways to help the local industry is to attract investment opportunities and to make it easier for the local industries to access the necessary funds. Also, providing safe, secure and accessible trade routes for Afghan traders to markets in South Asia, Central Asia and the Caucuses will expand the market for Afghan exports. This means building the transport and communications infrastructure in the country. Partnership with China presents many opportunities to develop Afghanistan's communication and transport infrastructure.

In October 2013, Chinese President Xi Jinping during his tour of the Central Asian Republics expressed the idea of a new "Silk Road Economic Belt (SREB)."³ The SREB will mainly be a network of railway lines that will connect Western China to Central Asia, Iran, Turkey, the Balkans, and the Caucasus all the way to Europe. Afghanistan should use its geographic location and abundance of natural resources to its advantage to become an integral part of the New Silk Road initiative. The Silk Road Economic Belt is a great opportunity for Afghanistan to rebuild its infrastructure. "Beijing will provide financial aid to countries crossed by its railroads and develop their transport and communications infrastructures, in many cases taking repayment in the form of local resources"⁴. By forging trade partnerships with China, Afghanistan can take the opportunity to build its transport and communications infrastructure, thus making it easier for Afghan entrepreneurs to access regional and the international markets.

There are six economic corridors within the ambit of the SREB: the "China-Pakistan economic corridor (CPEC), China-Mongolia-Russia economic corridor, new Eurasia continental railway, China-Central Asia-West Asia corridor, China-Indochina peninsular corridor, Bangladesh-China-India-Myanmar economic corridor"⁵. Of the six

3. Rolland, Nadège. "China's New Silk Road." The National Bureau of Asian Research, February 12, 2015. <http://nbr.org/research/activity.aspx?id=531>.

4. Ibid

5. PowerPoint Presentation at the International Seminar, titled "Trans-regional Stability and Security: Imperatives of Change", by Associate Professor Li Xiaolu, at the Institute for Strategic Studies, National Defense University, Islamabad, Pakistan, on 22-23 February, 2016.

corridors, Afghanistan can become an integral member of the China–Central Asia–West Asia Corridor due to its geography, which will help reduce the distance for Western China to connect with Iran, and its abundance of rare earths will be strong draw for China's growing industry.

CHINA'S ECONOMIC CORRIDORS



In the China–Pakistan Economic Corridor (CPEC), Pakistan gets to reap many benefits such as the development of its transport and communication route that cuts across Pakistan vertically. This route comprises highways, rail networks, oil and gas pipelines and optical fiber cable lines. Additionally, the CPEC agreement also includes development of water purification projects, technology and research institutions, and hospitals, among others. Likewise, Afghanistan should strive to become an integral member of the SREB and should use this opportunity as a massive redevelopment strategy to build its irrigation system, water management system, transport system, communications, education and the public health sector. Developing a national action plan with sub-categories for each sector can help to accomplish this goal. In collaboration with the respective ministry each sub-category should map out the needs and challenges in the

sector and provide possible avenues for collaboration with China. Those goals should be kept in the forefront of any trade partnership with China.

While Afghanistan has much to gain by becoming a member of the SREB, it also has plenty to offer in return. Including the straightening of the Afghan–China trade partnership, which is in the benefit of China. Afghanistan has reserves of untapped natural resources that the growing Chinese economy needs. “China one of the world’s biggest consumer[s] of raw material can benefit from the bilateral trade.”⁶ Increased bilateral trade between Kabul and Beijing will help build Afghanistan’s economy and in turn China will gain greater access to the much-needed mineral reserves in Afghanistan.

IMPACT ON THE CONFLICT

The bilateral trade partnership with China will not only boosts the economy but will also help in addressing some of the causes of the conflict in Afghanistan. The decades long conflict has crippled the economy and continues to be a major obstacle in Afghanistan's path to economic growth. By virtue of being the regional powerhouse, China can exert pressure on local actors to end the proxy wars in Afghanistan and work towards creating stability in the region. China can play a major role in this effort by putting pressure on Pakistan to avoid providing safe sanctuaries for Taliban. Increased partnership might involve China in Afghanistan’s affairs deep enough for it to participate actively in resolving the conflict. Additionally, China and Afghanistan share a border; and the insecurity and instability in Afghanistan has an impact on China. “A neighborhood engulfed in terrorism, the drug trade, extremism, and proxy wars is the biggest threat to the national security and rise of China.”⁷ A neighborhood engulfed by the above mentioned challenges hinder the many possible opportunities for trade.

6. Ibid.

7. Ibid.

Given the East Turkistan separatist movement in Chinese Xinjiang region, it is in China's interest to ensure that the Taliban, the Islamic State (IS) and other terrorist groups do not take control of Afghanistan because such an eventuality could only empower the militant groups active in Xinjiang province and prove detrimental to China's growth. "China is trying to ensure that the Muslim separatist group: East Turkestan Islamic Movement (ETIM) in a western Chinese Xinjiang region does not benefit from the Taliban after the withdrawal of NATO forces from Afghanistan"⁸. China's keenness to control the separatist movement in its own soil and to ensure that the militants do not find any safe havens in Afghanistan might prove to be enough incentive for China to ensure that Afghanistan does not fall into Taliban or the IS' control.

CHALLENGES

Economic cooperation between the two countries could give rise to secure borders and mutual economic growth. However, the balance is delicate and Afghanistan has much to lose from any impulsive trade union that can easily propel and push Afghanistan towards a war economy and loss of sovereignty. Therefore, Afghanistan should be vigilant in forming trade partnerships. In order to be a strategic trade partner and to safeguard its national interests, Afghanistan needs to develop more robust national rules and regulations to guide and monitor trade partnerships.

The proposed New Silk Road will enhance China's influence in Afghanistan. "The proposed Silk Road economic belt aims to integrate China's neighbors more closely with the Chinese economy, enmeshing them in a network of trade ties, transportation links, and multilateral regional institutions that will have China at their center, enhancing Beijing's influence over the weaker, poorer nations that surround it."⁹

8. Khan, Raja Muhammad. "China's Economic and Strategic Interests in Afghanistan." *FWU Journal of Social Sciences, Special Issue 1*, no. 1 (2015).

http://www.sbbwu.edu.pk/journal/specialissue/7._China_s_Economic_and_Strategic_Interests_in_Afghanistan.pdf.

9. Ibid.

Afghanistan is struggling to emerge from a protracted conflict and China is one of the largest growing economies in the world, the balance rests heavily on China and any trade partnership with Beijing will not be an equal one. Afghanistan stands to lose its economic sovereignty if the bilateral trade partnership is not approached with a sound economic policy. Initiating greater economic ties with China could jeopardize Afghanistan's cottage industry. Chinese companies can easily monopolize the market and the local business will suffer rather than flourish in the absence of a national policy and strategy to safeguard the local industry. The competing goods coming from the Iranian, Pakistani and Indian markets have already proved an abstract to the growth of the local industry. Opening the Afghan market to Chinese industries will only further jeopardize the situation for the Afghan industries. A well-planned subsidy for the local industry to be able to compete with the growing competition would be a good start to help protect the local economy.

In conclusion, a strong bilateral trade partnership between China and Afghanistan presents many opportunities for Afghanistan. The bilateral trade can boost Afghanistan's economy in several ways and can pave the way for Afghan youth to study in China to gain the skills and knowledge needed for a strong labour force. Chinese investment in Afghanistan's communication and transport infrastructure will benefit Afghan entrepreneurs and industries by providing them easy access to national and international markets. Similarly, greater Chinese involvement in Afghanistan can provide an incentive to China to resolve the protracted conflict in Afghanistan. However, a greater Chinese involvement in Afghanistan also poses numerous challenges. Afghanistan, a struggling economy, does not have the institutional capacity to regulate the international trade partnership. This puts Afghanistan in a delicate situation where lack of regulation and economic strategy can lead the country towards more conflict due to its abundant reserves of rare earths. Conversely, China can gain a lot from the bilateral trade with Afghanistan because of its access to new markets. An economically stable Afghanistan will also ensure stability in the region, which in turn will greatly benefit China. However, in order to realize the gains and to minimize the potential risks involved,

Afghanistan needs to formulate a detailed and clear national economic strategy and policy to regulate the bilateral trade partnership. One of the key focuses should be to ensure that Afghanistan's potential gains are greater than its potential losses from such a partnership. Afghanistan's economic development is closely tied to its security situation. A stronger economy will pave the way for a stable nation.

Incentives for Women Entrepreneurs: Status, Gaps and the Way Forward

By Naheed Sarabi¹

Afghanistan has been anchoring on a predominantly donor-led economy for over a decade. Aid money still finances over 70% of Afghanistan's development budget. With reducing levels of international assistance, private sector (that constitutes 10–12% of the GDP)² was envisaged to begin addressing the financing gap in Afghanistan in the short and medium term to sustain development expenditure. The Afghan government initiated the Public–Private Partnership Policy to encourage partnership between private and the public sectors, and stressed the need for bolstering the private sector as one of the pillars towards self-reliance³. This sector is envisaged to drive growth and job creation in the coming years. In this effort, the role of women in the private sector was established as one of the priorities.

The environment for women-run businesses was not unfamiliar. According to Afghanistan Investment Support Agency (AISA) reports, 1,130 women-owned companies, of which 352 are in construction (one-third of the total), followed by 225 in transportation and storage, 162 in 'professional, scientific and technical activities', and 80 in handicrafts⁴. However, with the fledgling market-led economy and barriers to doing

1. Naheed Sarabi is Director General, Analysis, Monitoring and Reporting, Office of Deputy Minister for Policy, Ministry of Finance (MoF), Islamic Republic of Afghanistan

2. International Council of Swedish Industry, Afghanistan's private sector, Status and ways forward, 2015.

3. Government of Afghanistan, Realizing self-reliance, commitments to reforms and renewed partnership, 2014.

4. Ibid.

business⁵ in the face of governance uncertainties, it is yet to be known as to how women can draw from the benefits of the private sector-led growth and contribute to the well-being of their families and the economy as a whole.

In the long term, if Afghanistan aims to foster development, the private sector will remain the driver of the growth engine. The country cannot afford to falter on economic growth due to security and stability reasons. Women comprise half the population of the country and their productive involvement in economic growth through private entrepreneurship is the need of the hour. The government of Afghanistan has stated its goal of achieving women's economic empowerment, which, among others, requires providing incentives to women entrepreneurs for integration in private sector and economic growth. Incentives provided via policies, programs, legal and regulatory frameworks are insufficient, if this goal is to be achieved⁶.

This paper aims to briefly study the past and existing policies and programs aimed at promoting women's role in the private sector. The thesis has been conducted by means of a desk-study of the various factors that affect the incentive or disincentive structure for women entrepreneurs. The gaps that include policy and program structures, legal frameworks and environment have been identified in the overall national incentive structure and have then been studied during interviews with key stakeholders, to explore ways to address them.

POLICY ENVIRONMENT FOR WOMEN ENTREPRENEURS

For many, entrepreneurship has not been a choice, interest or profession, but as means to feed their families. A policy environment specifically encouraging women entrepreneurs is a pre-requisite for women's effective involvement and performance in the private sector.

5. World Bank's Doing Business Report 2017 ranks Afghanistan near the bottom (183 out of 189 countries).

6. World Bank, Women's role in Afghanistan's future, taking stock of achievements and continued challenges, 2013.

Women's contribution in the economy remains largely informal and mostly unrecognized. Women tend to be employed more in the agriculture sector in rural areas for subsistence purposes. Their participation in the enterprise sector of agriculture is limited.⁷

Manufacturing and private education are sectors where women make up majority of employment force, at 57%, and 56% respectively⁸. While women's engagement in the production and manufacturing sector is promising, the sector itself needs major environment improvement. Manufacturing accounts for 5% of employment⁹ in the country. Women entrepreneurs interviewed for this paper have listed among other barriers, lack of access to energy (electricity) and infrastructure (roads); lack of access to raw materials normally imported at a more reasonable cost; difficulties in mobility; lack of access to finance and linkages to markets if they engage in production activities.

Afghanistan's economy still comprises of informal sectors, with formal employment constituting only 9% of total share of employment. The formal sector includes all the registered businesses and public sector with paid salaries. The informal sector comprises of activities/ distribution/ transactions that take place outside government regulatory frameworks and all activities and production of goods and services both licit or illicit.¹⁰ In events where enabling environment for business competition is fledgling or flawed, majority of business negotiations happen through personal contacts and networks. Cultural norms and mobility constraints obstruct women from building a strong personal and business network and be aware of market dynamics. It appears that entering the private sector is much more challenging for women, where male power-brokers dominate and male elites capture most of the benefits.

The participation rate of females in the labor market is 18.5% - a sharp

7. World Bank, Women's role in Afghanistan's future, taking stock of achievements and continued challenges, 2013.

8. Ibid

9. Ibid

10. International Council of Swedish Industry, Afghanistan's private sector, Status and ways forward, 2015

contrast to that of men, which stands at 80% and only 5% of businesses are owned by women.¹¹ While the big ticket private investment projects do play a pivotal role in economic growth, many small and medium enterprises that could be fostered by women's involvement remain dormant. One of the foremost government programs covering rural areas has been the Afghanistan Rural Enterprise Development Program (AREDP), which is aimed at community enterprise development, with a special focus on women. However, the program has been limited in its scope to transform formalization of rural economy on a larger scale where the real engine of a balanced growth lies and which involves a larger female workforce, i.e. 54%¹². The rural and urban market linkages still need infrastructure and bigger investments.

Furthermore, donor programs like Microfinance Investment Facility for Afghanistan (MISFA) and the Horticulture Livestock Program (HLP) that opened new ventures specially for rural women, still need a consolidated national approach with long term planning.¹³ To bridge the gap in national level programming and overcome fragmentation in development, the government put forth its plan for economic development during the 2015 London Conference. It introduced 11 National Priority Programs, which included the Women Economic Empowerment Plan (WEEP), aimed at improving women's economic status. The program is planned to be launched by early 2017 and the first report to be issued in 2018.¹⁴ While the WEEP remains the government's flagship program targeted towards women, the effective implementation and outcomes of the program are awaited.

A major bottleneck for women starting entrepreneurial activities is access to finance. In general, access to finance remains low, causing

11. National Risk and Vulnerability Assessment 2011–2012. Central Statistics Organization (CSO), Government of the Islamic Republic of Afghanistan, 2013.

[https://www.humanitarianresponse.info/en/system/files/documents/files/NRVA_REPORT-rev-5_2013\(1\).pdf](https://www.humanitarianresponse.info/en/system/files/documents/files/NRVA_REPORT-rev-5_2013(1).pdf).

12. World Bank, Women's Role in Afghanistan's Future, Taking Stock of Achievements and Continued Challenges, 2013

13. Ministry of finance, policy department

14. Self-Reliance Through Mutual Accountability Framework-SMART Deliverables 2017/2018. Islamic Republic of Afghanistan. October 05, 2016. <http://policymof.gov.af/bca/self-reliance-through-mutual-accountability-framework-smart-deliverables-20172018/>.

a hurdle to economic growth. Only 5.7% of Afghans have access to bank loans¹⁵ and 38% of those who have access to micro-finance are women¹⁶. Majority of the women who want to open a business still look for donor-funded projects to provide seed funding. This situation clearly demonstrates distortional features of the aid money and the irony of an economy expected to perform on free market dynamics. Many women view donor projects and funds as the most feasible, if not the sole, option for investment money and windows such as bank loans and joint investments seem too risky for business start-ups. In some cases, women are still unaware of existing credit facilities/recourses such as banks and the conditions that apply while receiving loans.

One of the female entrepreneurs interviewed stated that she thinks there is lack of proper direction from the government regarding where investment can be propelled. There has not been enough emphasis on promoting economy via family-based small industries in rural areas; and where it does, the businesses do not find the appropriate market link or are unable to connect to the value chain. Many businesses run by women are in need of efficient transportation systems, which itself is a male dominated industry. According to a report¹⁷ by the International Council of Swedish Industry, male market intermediaries capture a lion's share of the profits in the value chain. With women capturing a modest share in the business steps, a lack of women-to-women contact displays rigidity of the system where majority of actors in the production and transaction systems are men.

The current policy environment is inadequate for promoting women's inclusion and involvement in entrepreneurship as well as to identify economic opportunities for women. Women are not taking up entrepreneurship in adequate numbers because they feel constrained. However, a major shift has been brought with the introduction of the Public-Private-Partnership (PPP) concept in Afghanistan. The Cabinet

15. SIGAR Report, April 30, 2016

16. World Bank, Women's role in Afghanistan's future, taking stock of achievements and continued challenges, 2013

17. International Council of Swedish Industry, Afghanistan's private sector, Status and ways forward, 2015

of Afghanistan endorsed the PPP law in September 2016 which allows joint ventures by private companies and the Afghan government in various sectors, mainly infrastructure and services. Investments less than USD 5 million will not be considered under the PPP contract and the threshold for small scale investments is set between \$5 million to \$75 million¹⁸. The Central Partnership Authority (CPA) is a newly established unit in the Ministry of Finance (MoF) to administer and facilitate the PPP process. According to the CPA, many women run small businesses and are unable to invest under the PPP model. However, the law makes provisions for facilitation of finances in the form of issuance of guarantee letters by the government to a bank, once a PPP concept has been approved by the Government. This considered incentive, if put into practice, can maximize women's role to a significant scale.

ADVOCACY AND CAPACITY PROGRAMS TO ENCOURAGE WOMEN-LED BUSINESSES

Social biases against women actively participating and leading economic enterprises need to be countered by special advocacy programs to change societal attitudes and to build the capacity of potential women entrepreneurs. The dominant notion is that women belong at home and tasks such as child care, and that administering a business is still an area where men should be engaged.

Advocacy policies and programs in the past, according to the interviewees, have focused more on women's social and political rights and have given meager consideration to economic participation. Of the many programs run by the donor community and the government, there are no notable components that advocate for increased participation of women in businesses or entrepreneurial activities. For instance, the AREDP and the Integrated Private Sector Development National Priority Program-PSD (2010-2014) lacked specific advocacy elements. An in-depth evaluation of advocacy programs will help identify gaps to change

18. This threshold is yet to be endorsed by the High Economic Council of the Government, headed by the president of Afghanistan.

social attitudes towards women entrepreneurs. This will help make such programs more effective and result-oriented.

Capacity building of women entrepreneurs is another aspect where result-oriented initiatives are missing. Women-specific needs, unfortunately, have been sidelined as a cross-cutting issue with no program specific finance allocations. While majority of the programs have been donor driven, the sustainability of such programs and trainings remains outstanding issue. For example, a board member of Hand in Hand, an NGO in north Afghanistan, states that despite good results, business trainings are time consuming. Donor inclination for funding towards long-lasting projects are rare. Appropriate and consistent capacity building programs are required to develop confidence in women so that they are better able to deal with social biases and impediments.

Having to deal with the drawbacks of a restraining environment, lack of legal, technological and process-related knowledge is another impediment. A woman entrepreneur interviewed by this author recalled the difficulties she faced while registering her business with little knowledge of the regulations and processes.

LEGAL AND REGULATORY FRAMEWORK FOR WOMEN TO ENTER BUSINESS

“Equality of opportunity allows women to make the choices that are best for them, their families and their communities. However, opportunities for women are not equal where legal gender differences are prevalent. Such restrictions constrain women’s ability to make economic decisions in a variety of ways, and can have far-reaching consequences. Moreover, they are associated with real economic outcomes.”¹⁹ Legal empowerment of women still needs strict attention if sustainable results are to be achieved. In a recent report published by World Bank, Afghanistan has to amend at least 22 laws and regulations to facilitate the economic empowerment of women.²⁰ The provisions identified under these laws

19. World Bank, Women, business and the law, 2016

20. Ibid

and regulations that restrict women include matters related to: obtaining a passport and national identity card; acquiring property; choice of residence; travel outside their homes; woman's testimony; inheritance rights and work environment. The report also indicates that like many other economies, there is no quota for women in the corporate sector. Recently, the Ministry of Women Affairs (MoWA) and Ministry of Justice (MoJ) formed a joint committee to review the provisions of the laws identified under the World Bank report. The committee, however, relates many obstacles like obtaining passport and national identity, right of inheritance and acquiring property to enforcement and implementation of laws and regulations and recognizes that current laws do not include repressive elements in content.

While the current laws may not directly restrict women starting businesses, incentives are still lacking in the law, such as related to taxation and access to finance.

RECOMMENDATIONS

Afghanistan's private sector has great potential to grow given an enabling environment is facilitated. A strong and vibrant private sector will take up the burden of unemployment that, at the moment, the public sector is expected to address. In particular, businesses and entrepreneurs involving women will not only increase contribution to formal economy but will also build more resilient families, contribute to poverty reduction and most important, will be testimony to women's economic empowerment. Listed below are recommendations towards achieving these goals:

1. Employment and business opportunities seem to be pervasive for women in rural areas. With latent potential of rural economies, further developing urban-rural market linkages will bring women products to urban markets with more customers.
2. Women tend to perform well in the manufacturing sector. Improvement and scaling up of this sector will not only increase women's potential in the sector, but will encourage domestic

production. Moreover, it is recommended to establish female-friendly manufacturing hubs with easy access to raw materials.

3. The Afghan government may identify areas for investment and issue proper instructions, especially female entrepreneurs, on government programs that can be implemented with private sector support.
4. The majority of female entrepreneurs interviewed prefer a system of business certification combined with training for those who wish to start businesses. This can be offered as a preliminary course at the government body that issues business licenses. There is further need for a government policy that provides incentivized provisions for women to better access financial support; a good example can follow from PPP Law.
5. There is a need for concrete and large scale advocacy programs to encourage women entrepreneurship, from home-based businesses to activities established outside home. The dominant notion that women belong at home and cannot run businesses needs to change. Furthermore, community knowledge about Afghan women's rights to inheritance and property should be enhanced. In a nutshell, the trend that public sector is the only safe haven for women and the sole source of income is damaging to both the economy and women's empowerment. A concerted effort on all fronts with clear objectives will be an enormous step toward a self-sustaining economy.

Afghan Economy's Achilles Heel: The Symbiosis between Insurgency and Drug Trade

By Mariam Wardak¹

Fifteen years after the end of the Taliban regime, Afghanistan still faces grave economic problems and remains one of the world's poorest nations. Insecurity and corruption threaten efforts to establish a flourishing and sustainable economy. The volatile security environment continues to undermine private sector confidence, and substantially debilitated economic activity in Afghanistan. The relationship between security and economic activity has been a matter of academic focus for decades. Scholars have studied the various ways in which the security environment impacts economic development across the world. Collier et al. (2003), for instance, argue that terrorist incidents have economic consequences such as diverting foreign direct investment (FDI), destroying infrastructure, redirecting public investment funds to security, and limiting trade. For example, in Nigeria, security issues undermined the economy by displacing FDI and destabilizing the macroeconomic environment². Countries, such as China have acknowledged the financial risks of insecurity and have, as a result, developed Article 8 of the New Law, which states that “maintaining national security shall be coordinated with economic and social development.”³ The New Law

1. Mariam Wardak is Adviser, Office of the National Security Council, Afghanistan

2. Collier, P., E. Hegre, M. Reynal-Querol, and N. Sambanis. *Breaking the Conflict Trap; Civil War and Development Policy*. Washington: World Bank, 2003.

3. Chaira. "Will the National Security Law Impact Foreign Investment in China?" September 02, 2015. Accessed November 08, 2016. <http://www.dandreapartners.com/will-the-national-security-law-impact-foreign-investment-in-china/>.

replaces the Counterespionage Law, as it focuses on economic security to prevent financial risk. In Afghanistan, the Taliban have contributed to the worsening economic environment in three significant ways: by increasing insecurity; by engaging in narcotics production and trafficking; and by illegal extraction of Afghanistan's mineral resources. This paper evaluates the direct and indirect effects of various illegal armed groups, particularly the Taliban's armed activities on the economy of Afghanistan, and proposes ways on how the Taliban connections to the illicit economy can be eliminated.

INCREASING INSECURITY

The Taliban's campaign of violence has not only destroyed the economic infrastructure in Afghanistan, but has also prevented economic development from taking root by reducing earnings, threatening business activity, and discouraging foreign and domestic investment. Damaging the facilities such as manufacturing companies and systems that serve the public has limited the government's capacity for service delivery and has created psychological anxiety. More than 60% of Afghanistan's population suffers from mental health disorders⁴; and the stresses of social issues, economic insecurity and security increase when there is a delay in public service delivery. For instance, in January 2016, the Taliban damaged major electricity pylons in the Dand-e-Shahabuddin area near Baghlan-Kunduz Highway in Baghlan province, which cut off the imported power line from Uzbekistan to Kabul⁵. For weeks, during severe winter, there was no electricity for the citizens, which disrupted government functions⁶; polluted the environment because of the over-use of generators and other fuel; and led to the deaths of citizens resulting from accidents related to gas or fire heat and/or asphyxiation due to

4. Global Research. "Over 60 Percent of Afghans Suffer Mental Health Problems" October 11, 2010. Accessed November 08, 2016. <http://www.globalresearch.ca/over-60-percent-of-afghans-suffer-mental-health-problems/21389>.

5. Hussainkhail, Faridullah. "Taliban Cuts Off Uzbekistan's Electricity to Kabul." January 26, 2016. Accessed November 08, 2016. <http://www.tolonews.com/en/afghanistan/23479-taliban-cuts-off-uzbekistans-electricity-to-kabul?tmpl=component>.

6. Arian, Abdul Wali. "No End In Sight For Kabul Power Outage." February 08, 2016. Accessed November 08, 2016. <http://www.tolonews.com/en/afghanistan/23689-no-end-in-sight-for-kabul-power-outage>.

indoor use of gas heaters, and cold exposure⁷.

Security incidents such as suicide operations and guerilla-style attacks on economic installations such as the Ministry of Finance, the Da Afghanistan Bank and population centers have also entailed negative spillover effects on economic activity. For weeks, even months after a major incident, citizens limit their movement, economic expenditure and social engagement, as returning to normalcy is difficult after security incidents⁸. For instance, after the 2013 Kabul Serena Hotel attack, when insurgents killed guests and hotel employees in the lobby and dining facility of the hotel, Kabul Serena was financially affected for months after that⁹. The same was true of the 2011 Kabul Intercontinental Hotel attack¹⁰. Quantifying these effects is not a simple task, because defining economic shifts involves additional factors. In the aforementioned instances, factors included security, finance and human rights.

The general threat of insecurity prevents stability and forecast for investment. According to the UN Conference on Trade and Development 2014's World Investment Report, FDI inflow in Afghanistan in 2012 was \$94 million, which dropped to \$69 million in 2013¹¹. The correlation between the drop in FDI and insurgent attacks was illustrated by in a Brookings Institution¹² report, which identified that 1,500 insurgent attacks took place in Afghanistan in February 2012, whereas in February 2013, this figure rose to almost 2000. This correlation demonstrates that when insecurity increases, investment often tends to decrease.

The rise of violence has also resulted in reducing Afghanistan's human capital by provoking migration amongst the educated youth. According to the European Union's statistics body, Afghans are now the second-largest group of migrants in the world. Through several interviews in

7. Interview. Ministry of Public Health Government Official, September 16, 2016.

8. Saad, Lydia. "Americans Sense a «New Normal» After 9/11." September 09, 2005. Accessed November 08, 2016. <http://www.gallup.com/poll/18448/americans-sense-new-normal-after-911.aspx>.

9. Interview. Kabul Serena Hotel Management Staff, September 7, 2016.

10. Interview. Kabul Intercontinental Hotel Management Staff, September 12, 2016.

11. United Nations Conference on Trade and Development. Report. World Investment Report, 2014.

12. Livingston, Ian S, and M. O'Hanlon. Afghanistan Index. Brookings, 2014.

news outlets such as the Washington Post, the New York Times, and the Guardian, Afghans described their main reason for fleeing their homeland as insecurity, and specifically, the threat of the Taliban¹³.

A few examples: after years of threatening the media, the Taliban attacked Afghan national television, Tolo 'Afghan Star'¹⁴. In January 2016, a Taliban suicide attack on a bus carrying employees of the Moby Group, the country's largest media company - affiliated to Tolo, killed seven and injured 27¹⁵. This raised fears and anxiety about the safety of journalists and prompted many to leave the country. Approximately 300 journalists have left for Europe due to insecurity, which includes top reporters from Tolo and One TV¹⁶. In addition to the private sector, educational institutions have been attacked on numerous occasions in the past two years¹⁷.

NARCOTICS

Drug production and trafficking contributes to an environment of high corruption, which is a significant impediment to economic growth. While drug production and trafficking is not the only cause of corruption, given its scope and illegal nature, it most certainly constitutes one of the main drivers of the phenomenon. According to the UN Office of Drug and Crimes (UNODC), the total value of the opium industry in Afghanistan is estimated at around \$2.6 billion¹⁸; and a majority of it is produced in areas under constant Taliban threats such as Helmand and Nangarhar. Drug related income is considered a major source of funding for the Taliban

13. Ayres, Sabra. "Everybody Is Leaving Afghanistan: Refugees Flee Increasing Violence." October 03, 2015. Accessed November 8, 2016.

14. Walsh, Nick Paton. "Reporters under Fire: Afghan TV Station Weathers Constant Taliban Threat." April 21, 2016. Accessed November 8, 2016. <http://edition.cnn.com/2016/04/19/asia/tolo-tv-afghanistan/>.

15. "Journalists Fleeing Afghanistan Over Insecurity." May 06, 2016. Accessed November 8, 2016. <http://www.voanews.com/a/journalists-fleeing-afghanistan-over-insecurity/3318859.html>.

16. Olivo, Antonio. "WorldViews Afghanistan Is Losing Its Local Press Corps as Journalists Flee the Country." May 07, 2016. Accessed November 8, 2016. <https://www.washingtonpost.com/news/worldviews/wp/2016/05/07/afghanistan-is-losing-its-local-press-corps-as-journalists-flee-the-country/>.

17. "Student Recalls Horror of Taliban Attack on American University in Kabul." September 26, 2016. Accessed November 8, 2016. <http://nytlive.nytimes.com/womenintheworld/2016/09/26/student-recalls-horror-of-taliban-attack-on-american-university-in-kabul/>.

18. Simon, Mathilde. "The Drug Trade in Afghanistan: Understanding Motives behind Farmer Decision to Cultivate Opium Poppies." *Foreign Policy Journal*, 2015

and thus a major incentive to foment insecurity in drug fertile areas. Some of the major Taliban leaders and commanders, including the group's now deceased Chief, Mullah Akhtar Mansour, are known to be at the forefront of the narcotics industry in Afghanistan. After Mansour's death, the drug trade route and economic regional connections to the Taliban became visible¹⁹. Mullah Mansour was found to be in possession of a Pakistani passport bearing an alias.

Drug production and trafficking also affects insecurity through drug-related violence. These forms of violence include targeted assassinations, kidnapping, and other mafia-related activities. The national media of Afghanistan, including Tolo and One TV, have connected the growing number of corruption cases to be related to the narcotics industry in the country²⁰. In 2015, drug prosecutor Yar Mohammad Hussainkhiel reviewed roughly 30 cases a day on trafficking and bribery²¹. The illicit economy facilitated by the Taliban has also had severe negative consequences for the sustainability of democratic governance in the country.

Corruption jeopardizes democratic stability, and is a serious obstacle to governance and national security. In addition to the economic and social costs incurred, political consequences are also serious in terms of public sector corruption, as it endangers the government's credibility and legitimacy. Recently, at an Anti-Corruption Summit in UK, British Prime Minister David Cameron called Afghanistan fantastically corrupt²². The phenomenon also affected international conferences related to Afghanistan such as the Warsaw and Brussels Conferences, in which the international community has made frequent declarations on

19. "Taliban Leader Mullah Akhtar Mansour Killed, Afghans Confirm." May 22, 2016. Accessed November 8, 2016. <http://www.bbc.com/news/world-asia-36352559>.

20. Majidi, Tariq. "Kabul Police Crack Down on Drug Dealers Amid Accusations of Corruption." June 02, 2015. Accessed November 8, 2016. <http://www.tolonews.com/en/afghanistan/19820-kabul-police-crack-down-on-drug-dealers-amid-accusations-of-corruption>.

21. Mashal, Mujib. "Day at Office for Afghan Drug Prosecutor: Paperwork, and Death Threats." November 13, 2015. Accessed November 8, 2016. <http://mobile.nytimes.com/2015/11/14/world/asia/day-at-office-for-afghan-drug-prosecutor-paperwork-and-death-threats.html?smid=tw-nytimesworld&smtyp=cur&referer>.

22. "David Cameron Calls Nigeria and Afghanistan 'fantastically Corrupt'" BBC News. May 10, 2016. Accessed November 8, 2016. <http://www.bbc.com/news/uk-politics-36260193>.

corruption and the Afghan government's inability to mitigate these issues. Furthermore, the European Union's anti-corruption campaign carried out in several provinces in Afghanistan demonstrated that corruption is becoming a serious issue in the country, and that Afghanistan's strategic partners are seriously concerned. The GoIRA has established an Anti-Corruption Justice Centre that focuses on major corruption cases. However, Transparency International urged the government to set up an independent and well-resourced anti-corruption agency based on the UN Convention Against Corruption framework, one that involves civil society²³.

Bruno Speck, a political scientist at the Institute of Economic, Political and Social Studies in Sao Paulo, Brazil, highlights five causes of corruption that can shed light on cases related to illegal drug trafficking²⁴.

The three listed below are relevant to Afghanistan's context, albeit the theories should not be considered mutually exclusive. These theories provide the situational understanding that is particularly critical to improving Afghanistan and systems.

1. The Moral Legalist School: claims that impunity in corruption cases caused a deterioration of public morality.
2. Institutional changes in the organization of state apparatus can help fight corruption.
3. The Historical Culturist School: affirms that corruption is a cultural and historical part of institutions. This school maintains that nations have never been able to separate private norms such as friendship and solidarity from public norms of legality and neutrality.

23. Richards, James. "Anti-corruption Reforms in Afghanistan Needed to Safeguard International Aid." October 05, 2016. Accessed November 8, 2016.

24. Speck, Bruno W. *Guerra a La Corrupción En Brasil*. Vol. 35. *Perfiles Liberales*.

ILLEGAL MINING

Despite being one of the poorest nations, Afghanistan holds one of the richest troves of minerals in the world, appraised by geologists to be worth nearly \$1 trillion. Afghanistan has copper; iron; rare earth elements such as lanthanum, cerium and neodymium; and iodes of aluminum, gold, silver, zinc, mercury and lithium. According to the United States Geological Statistics data, the U.S. Department of Defense Task Force for Business and Stability Operations valued Afghanistan's mineral resources at \$908 billion, while the Afghan government's estimate is \$3 trillion²⁵.

The Afghanistan Natural Resources Oversight Network report findings suggest that there are well over 2,000 illegal mining sites across the country. According to the Ministry of Mines and Petroleum, there are 1,400 sites where resources were extracted illegally. The Natural Resources Monitoring Network has warned that the illegal extraction of mines in the country will lead to a financial crisis for Afghanistan²⁶.

Franz-Michael Mebin, the representative of the European Union in Afghanistan, said, "the production of mines in Afghanistan leaves a huge income. Unfortunately, the Taliban use these financial resources in their activities." Experts say that most of the mines under Taliban control are located in the provinces of Helmand, Badakhshan, Herat, Ghazni, Logar, Kunar and Nangarhar. The UN has also stated that the second source of funds for the Taliban is the illegal extraction of mines in Afghanistan²⁷.

The activities of the Taliban and other illicit economic engagements have a substantial negative effect on the Afghan economy. The insurgents with implicit and explicit support from organizations, including government agencies of neighboring countries with its epicenter on the other side of the Durand Line, operate and thrive on informal and illicit economy. This

25. Choi, Charles Q. "Rare Earth: Afghanistan Sits on \$1 Trillion in Minerals." NBC News. September 05, 2014. <http://www.nbcnews.com/science/science-news/rare-earth-afghanistan-sits-1-trillion-minerals-n196861>.

26. "Afghanistan Loses \$100 Million A Year Through Illegal Mining: EU." June 18, 2016. Accessed November 8, 2016. http://www.outlookafghanistan.net/national_detail.php?post_id=15537.

27. Mohammdi, Zarmina. "Analysts: Over 2,000 Illegal Mining Sites in Afghanistan." June 24, 2015. Accessed November 8, 2016. <http://www.tolonews.com/en/afghanistan/20176HanalystsHoverH2000HillegalHmining-HsitesHinHafghanistan>.

economy is at the cost of the Afghan state and longer term interest of the populations in the region.

Recommendations to eliminate or reduce the Taliban connection to the illicit economy:

1. The Afghan government should consolidate the Afghanistan National Defense and Security Forces around major population centers, borders and strategic locations in the country, such as major highways, water dams, mineral mines, upcoming regional project sites, etc. This would limit Taliban's mobility (since major highways are one of their main traveling routes); limit their economic benefits from mineral mines, and mitigate the damage on upcoming regional projects or water dams.
2. The government requires to effectively engage all people in economic projects that offer incentives to all. This includes the general public as well as the insurgents. An example of a successful economic project is the telecommunication towers. They are a necessity for all individuals and groups, and therefore, everyone has an incentive in ensuring their security.
3. Government officials must maintain dialogue and discussion with the Taliban through an open line of communication. Continuous dialogue is critical in building mutual confidence, understanding each other's viewpoints, and potentially agreeing on smaller projects, such as agriculture or solar energy, even if war continues in the broader context. The current shift in peace efforts that were initiated with the Quadrilateral Coordination Groups' talks and the recently signed peace agreement with the Hizb-i-Islami were merely a creative effect of diplomacy applied consistently. The nature of communication formulates a strategic standpoint in serving effective policies.
4. Encourage people-to-people diplomacy to increase regional public awareness on the importance of peace and the interconnectedness of collective security. For example, increase

the number of track two dialogues on professional conflict resolution; track four: private citizen engagement; and track six: peace activism.

5. The government must invigorate its strategic communication campaign to improve effective government narratives to the public. Educating, dissemination of, access to information about government policies and decisions to the public is critical. A holistic approach for country development includes the citizens to become a key component of the development process; for instance, reverting to simple one way communication such as televised round table discussions, news and radio programs, and engaging in two-way new era communication via social media etc.

Opportunities to Increase Women's Involvement in Afghanistan's Economy

By Atifa Safi¹

Women play a significant role not only in the social and political life but also in our day to day economic life. Their active engagement in the economic sector results in growth, development and progress of a country. Countries where both women and men are equally involved in all social, political, cultural and economic sectors have made great improvement.

There is a very common proverb that when a woman is educated, a society is educated. This proverb can also be interpreted to mean that if a woman is economically independent and empowered, a family - and by consequence - a society, is empowered and would experience positive change.

However, although women in Afghanistan are involved in various sectors and have made significant achievements, these achievements are limited due to several challenges in their everyday life. Women are less visible in the economic sector, which is rooted in various traditional and social norms that limit their presence in the public sphere.

INTERVENTIONS THAT PROMOTE WOMEN'S PARTICIPATION IN THE ECONOMIC SECTOR

Though many interventions have been made by the Afghan government and the international community, this paper will discuss only some of

1. Atifa Safi is a Legal Policy Advisor at USAID – Technical Assistance to the Afghan Ministry of Public Works.

these and the relevant issues.

Islam accords women with financial independence via provisions of inheritance, property and *Maher* (*Alimony*). However, due to adverse traditional practices, these provisions are often not upheld in Afghanistan. Women therefore become economically dependent and vulnerable.

To support women's rights and active participation, the Afghan government has undertaken several significant steps. For instance, the Afghan constitution ensures the rights and equality of women. The government has ratified national laws such as the Law on Elimination of Violence against Women (LEVAW); has developed policies like the National Action Plan for Women of Afghanistan (NAPWA); and made commitments to international conventions on gender equality like the Convention on Elimination of all kinds of Discrimination against Women (CEDAW).

Under Afghan law, women and men have equal rights and responsibilities. The Afghan constitution guarantees equality and states that the entire constitution and all its provisions apply to both women and men on equal terms. Additionally, it recognizes that women and men benefit from the equal opportunities and contribution in all areas of life. This sets the stage for equality and non-discrimination as mandatory principles that must be observed in the application of the Afghan constitution and laws.

Afghanistan's Convention on Elimination of all Kinds of Discrimination against Women, briefly stated, provides that the state is obligated to do the following:²

“ State parties shall take in all fields, in particular in the political, social, economic and cultural fields, all appropriate measures, including legislation, to ensure the full development and advancement of women, for the purpose of guaranteeing them

2. Convention on the Elimination of All Forms of Discrimination against Women. United Nations, 1981. <http://www.ohchr.org/Documents/ProfessionalInterest/cedaw.pdf>.

the exercise and enjoyment of human rights and fundamental freedoms on a basis of equality with men.”

With LEVAW³, was the first enforced law in the history of this nation, aimed at supporting the fundamentals of women’s rights. Via this law, their rights to inheritance and property have been ensured and those in breach of this law may be prosecuted in accordance with the law.

In addition, NAPWA as a high-level benchmark aims to ensure continuity and consistency in the government’s efforts to protect women’s rights within the Afghan society via equality and empowerment. NAPWA focuses on three pillars:

1. Security
2. Governance, Rule of Law and Human Rights
3. Economic and Social Development

Although it contains effective strategies and is well developed as a plan; Its implementation has been less successful in fulfilling what was expected of it. Among others, the key reasons for failure could be the incompetency in the Ministry of Women Affairs (MOWA) - the main ministry on the issue - for not taking proper ownership of NAPWA; the lack of political will; and lack of capacity vis-a-vis gender and gender mainstreaming concepts within all relevant and responsible ministries.⁴

Overall, the abovementioned challenges to the implementation of NAPWA can be counted as general constraints towards the implementation of all legislations and policies on women’s issues and women’s active economic participation. Other factors like inadequate financial support and insecurity also play a role in exacerbating the situation.

To a large extent, the international community’s attention has been focused on capacity building of institutions and governmental entities in areas of legal, civil and political rights of women. Although some actions

3. Law on Elimination of Violence against Women. 2009.

4. Analytical Report on the Implementation of National Action Plan for the Women of Afghanistan in the Government Institutions. Islamic Republic of Afghanistan, 2013. [http://mowa.gov.af/Content/files/Report on the Implementation of NAPWA - English Translation 1392 - Final Revised.pdf](http://mowa.gov.af/Content/files/Report%20on%20the%20Implementation%20of%20NAPWA%20-%20English%20Translation%201392%20-%20Final%20Revised.pdf).

and steps have been undertaken and improvements have been made in the business and private sector, particularly with regards to women's issues, by donors these were not of the level required. Support and assistance for women's economic participation were less visible in most of these interventions. Beyond these project based, adhoc vocational trainings, short-term technical assistance and small projects on women's economic empowerment, needs still exist and gaps remain to be filled to empower women. The international community should reaffirm their commitments and develop programs that will have long-term effects.⁵

EXTENT OF WOMEN'S INVOLVEMENT IN THE AFGHAN ECONOMY

It is essential to define what we mean by "*women economic empowerment*" in this context. In her 2013 paper, 'Women's Economic Empowerment in Afghanistan: Creating Spaces and Enabling the Environment',⁶ Lena Ganesh outlines women's economic empowerment as a process that increases people's access to and control over economic resources and opportunities including job, financial services, property and other productive assets (from which one can generate an income), skills development and market information.

Women's economic empowerment not only forms the basis of equality and justice in a society but will also lead to poverty reduction, economic growth, productivity and stability.

Over the past decade, several efforts have been undertaken, as mentioned above, to bring positive change and betterment in the life and living conditions of women. This has resulted in some improvements in the Afghan woman's life. However considering the severity of her circumstances it can be argued that this level of engagement is insufficient, and the situation demands sustained efforts. Since 2001, both the international community and the Afghan government focused

5. Richard Ghiasy, Jiayi Zhou, Henrik Hallgren. "Afghanistan's Private Sector, Status and ways forward". Stockholm International Peace Research Institute, October 2015

6. Ganesh, Lena. "Women's Economic Empowerment in Afghanistan: Creating Spaces and Enabling the Environment." AREU, 2013.

more on the political and social participation of women as compared to increasing their economic engagement.

In recent years, and in some major urban centers like Kabul, Herat and Mazar-e-Sharif, women have begun non-traditional businesses and became entrepreneurs competing with their male counterparts, but many still remain marginalized in other parts of the country; involved in low income and informal businesses like household agribusinesses, livestock and handicrafts activities. Labor markets remain male dominated; women constitute 19% of the labor force participation and occupy a mere 11% of the total non-agricultural jobs⁷. UN Women estimates that only 5% of businesses in Afghanistan are female owned. Overall, the economic engagement of women was and is limited to vocational trainings on agribusiness and handicraft, areas of low impact in the Afghan economy. Moreover, their participation in the abovementioned sectors differ from one community and ethnicity to another. In some communities' they are engaged in handicraft related activities while in others they work on land and farms supporting male members of their families in labor intensive activities such as removing stones from the soil, seed-bed preparation, weeding, cleaning and preparing the seed and so on. However, one should not exclude women who have rarely own lands and are busy in cultivation and production of agricultural goods. Yet even if they own land, they lack the right to sell or mortgage land. Women enjoy very few opportunities vis-a-vis access to national and international markets and are limited to local markets and local customers.

BARRIERS AND CHALLENGES TO WOMEN'S INVOLVEMENT IN ECONOMIC SECTOR

In Afghanistan, women face multiple challenges and barriers that are interlinked in various aspects of life. Although the Afghan government considers their economic participation as vital, constraints still exist that hold them back from being active in the economic sector.

7. Ibid

Socially women are titled as the caregiver for family members, and as being responsible for the household; and their mobility is restricted. Some social norms are often misinterpreted as religious norms and followed - and these are difficult for a layman to differentiate between. Among the harmful traditional practices prevalent in the country, women lack access to claiming inheritance rights and are denied their property rights too, often resulting in poverty among women.

Additionally, women face discrimination, inequality, lack of access to education and healthcare, domestic violence, harassment etc. particularly in the economic sector, thereby limiting women from being completely active and present in the sector.

Social, cultural and traditional restrictions have caused women to be less involved in formal businesses and the economic sector and more involved in small, informal and agribusinesses.

EFFECTIVE WAYS TO INCREASE WOMEN'S PARTICIPATION IN THE AFGHAN ECONOMY

A key factor towards increasing women's participation in the economic sector is to educate the masses and raise awareness about women's economic, property and inheritance rights. Emphasis should be laid on the fact that women's contribution in business and economy will lead to the welfare of the family and the society. Additionally, providing employment and business opportunities with long-term technical assistance will be helpful in making women financially independent.

At the policy level more women need to be involved, or the men involved need to be trained and made aware of the needs of women. Decision making in economic development issues at the national level are all male dominated creating in many instances an implicit bias. This has, to an extent, played a negative role in promoting alternative roles for women. Although there are exceptions, it is evident that women's representation in various sectors, and economy in particular, is very low.

Access to finance is one of the key elements of running and sustaining businesses; but Afghan women face problems in this regard. There are banks that provide business loans but the collateral or security requires property or land ownership documents - access to which is limited for Afghan women.

With regard to women engaged in agribusinesses and related activities, the problems they face are rooted in the lack of access to markets, lack of access to resources, and lack of business and management skills to sustain their trade and to introduce their products based on the demands of the customer. According to the Afghanistan Women's Business Federation (AWBF), women who have formed common interest groups have been more successful in their entrepreneurial efforts and trade. Conducting business in collectives helps women share knowledge and experience, build new networks, support each other, and gain confidence.

RECOMMENDATIONS

The Afghan government should educate the masses on the importance of women's participation in all sectors, economic. Both the Afghan government and international community should focus on women's economic empowerment by providing long-term and sustainable projects. More importantly, all policies and strategies should have a gender component in their fundamentals. Women's economic empowerment requires continued governmental support and strengthening of rule of law, which will pave way for women to benefit from their rights guaranteed in the constitution.

The following recommendations are general and directed towards the Afghan government, economic and business entities, and the international community. They must:

1. Review legislations from a gender perspective, develop strategies and polices, and provide long-term technical assistance towards women's economic empowerment

2. Strengthen existing policies and strategies and develop new ones in sectors such as education, health, safety and law
3. Promote women's access to economic opportunities
4. Increase private sector investment in women-owned businesses
5. Provide subsidy for women to run businesses
6. Facilitate and simplify the credit process for businesswomen
7. Increase women's access to microfinance and business services
8. Provide access to national and international markets
9. Educate the masses on the important roles women can play in the society and identify role models that people could look up to
10. Improve and enforce land ownership laws
11. Enforce rule of law

Afghanistan: Rule of Law and Economic Development

By Sona Mahmody¹

This essay lays out a framework for discussions regarding improving rule of law to improve the Afghan economy. The relationship between economics and rule of law has been one of the most dynamic areas of theoretical and empirical research globally, as it builds a sustainable connection, and opportunity for discourse development between institutions and fundamental economic processes.

Alive to the effects of the ravages of protracted war and having experienced a dearth of economic development due to the continuing and complex conflict, Afghans strongly believe that rule of law is most essential to achieving economic development in the country. Afghan people see good governance as indispensable for an inclusive and sustainable economic development. Afghanistan needs to be accountable and transparent, provide predictability in the application and enforcement of rules and facilitate citizens' participation in governance. Rule of law essentially provides the basic underpinning of all economic development. It secures property and contract rights - the fundamental building blocks of market economies. That said, laws are useful only when they are enforced. Afghanistan has effective laws on paper, but most of the people remain unaware and ignorant about that laws and relevant institutions. Most laws are not competently, reliably and predictably implemented and enforced. Also, despite the will, while Afghans find it easier to create laws, they

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find it difficult to enforce them due to lack of capacity. Additionally, the government neither has adequate capacity nor the resources to achieve sustainable development goals effectively.

It is an established fact that when rule of law is improved in any country by efficiently implementing and enforcing as well as reforming policies, the country's economy improves. This can be achieved by effecting property security, enforcement of contracts, checks on the activities of the government at different tiers besides curbing corruption and reforming the private sector. Reforms in legal and judicial sectors aim to achieve greater independence and transparency of the judiciary and procedures, and better legal aid for citizens. If we improve the judicial system with said reforms, it will help ensure protection of private property from offenders; legal enforcement of contracts; and holding the government accountable for its expenditure of public taxes. These reforms would help in the promotion of sustainable economic development by improving the legal framework in Afghanistan.

RULE OF LAW AND ECONOMIC DEVELOPMENT

Rule of law is usually thought of as both a political and legal matter. States in the global north treat the improvement of the rule of law as a priority to reduce corruption and build the state. In Afghanistan, the impact and relationship between rule of law and the economy began to gain attention in the past decade. Law provides the foundations for economic activity as it creates and regulates currency, credit, property, corporation, and international and local business contracts. Nevertheless, Afghanistan needs strong legal institutions to build and improve its future economic development. The core logic is that security of property rights and integrity of contracts underpin investment and trade respectively, which in turn fuel economic growth and development. However, property rights and contracts rest on institutions that themselves rest on coalitions of interests. Formal institutions are important; but, particularly in developing countries, informal institutional arrangements play a significant part as well. These considerations lead us to caution against an exaggerated confidence in the ability of development assistance to

implant new institutions for the rule of law.

Afghanistan is listed among the least developing countries, despite receiving large amounts of international assistance in the past decade. The country remains among the poorest countries in the region. Low infrastructure and the absence of a comprehensive economic strategy and administrative capacities to develop and implement policies coupled with widespread corruption are among the key reasons for the wastage of plentiful resources. Afghans were expecting a strong change from the new government. Thus, an upsurge in the investment and economic growth was anticipated. Unfortunately, however, things went wrong and the country faced more problems compared to the pre-2014 era.

Thousands have lost their jobs and the unemployment rate has risen significantly. Consequently, poverty increased and the outbound migration of educated youth has surged. To overcome this problem, the economic policymakers of the country should pay close attention to several factors that are vital to the economic development of the country. By implementing laws, it protects the rights of individuals, executes contracts, and thus, provides the people with predictability of the actions.

PROTECTION OF PROPERTY AND CONTRACTING RIGHTS

Among economists, the core theoretical insight linking law to economic development runs through property rights and contract enforcement. The link between property rights and economic growth runs through the incentives individuals get to invest and trade when such rights are secured.

The capacity to contract is equally fundamental. Some trade can take place in the form of barter or “spot” exchanges but more complex “inter-temporal” transactions such as those between Pakistan and Afghanistan require the ability to make and receive promises regarding future actions.² This is particularly true of financial transactions, which from a legal

2. Haggard, Stephan, and Lydia Tiede. The Rule of Law and Economic Growth: Where Are We? Governance and Social Development Resource Centre. 2011. <http://www.gsdrc.org/document-library/the-rule-of-law-and-economic-growth-where-are-we/>.

point of view, are primarily contracts; and unsurprisingly, a major strand of the law and economic development literature has dealt with financial development.

The transnational empirical literature on property rights and growth is easily summarized as there have been relatively few contrarian voices. Numerous studies have found that more robust property rights protection—typically measured via survey data on risk of expropriation or including risk of expropriation as a component of a wider index—are associated with better long-running economic performance. The new literature on institutions and long-running growth tests similar propositions, since either the conception of institutions or the proxy for them is the extent of property rights protection. Cross-national tests have now been supplemented with micro-level studies of the effects of property rights as well.

CHECKS ON THE GOVERNMENT

An important theoretical contribution to the debate on the rule of law and economic development has come from the joining of arguments on property rights and contracting to the long-standing tradition of the significance of institutional checks and balances. Institutional checks and balances are economically important because governments not only have the power to renege on their commitments but also have powerful incentives to do so. Rule of law cannot be credible, and the purported gains from property rights and enforcement of contract cannot be fully realized, unless there are effective limits on executive discretion. The Afghan government must choose between respecting citizens' rights or transgressing them. In making this choice, the ruler faces two constraints: the first is economic.³ For economic growth to take place, the Afghan government must not merely establish the relevant set of rights, but also make credible commitments to them.

3. Ibid, page 6

THE CAPACITY TO IMPLEMENT THE RULE OF LAW

The creation of a sound legal framework and the implementation of the rule of law is central to the success of any democratic state. In 2004, Afghanistan's Loya Jirga (Grand Assembly) approved the most recent version of the Afghan Constitution and began the process of developing a legal framework, signaling a move towards economic and social progress. However, a recent survey conducted by the World Justice Program (WJP) on how rule of law is experienced by Afghan citizens, ranked Afghanistan at the 101 out of 102 surveyed countries vis-à-vis the levels of justice, corruption, and governance.

Afghanistan's problem does not appear to lie in the incapacity of institutions but instead in the commitment of the leadership to lead its citizens to take charge of change. The WJP survey states that "all elements of society are stakeholders that strengthen the rule of law and that change only comes from within." It will take at least a generation before Afghans gain the capacity and begin believing that they have the power that builds strong and sustainable democratic governance that protects the rule of law for its citizens.

PRIVATE SECTOR DEVELOPMENT THROUGH RULE OF LAW

Economic development processes in Afghanistan have been *ad hoc* because of ineffective government planning geared towards private sector development. The government's first strategy document (the 2002 National Development Framework, which was never officially translated into local languages) included private sector development and inclusive growth as one of its three pillars. The 2004 constitution dictates that "the state shall encourage, protect as well as ensure the safety of capital investment and private enterprises in accordance with the provisions of the law and market economy."⁴

4. Although Article 10 clearly stipulates market economy, the language in other places (such as Article 6) justifies intervention in the economy in detailed and specific ways, which can be interpreted as giving the government an explicit out. The Constitution of Afghanistan. Islamic Republic of Afghanistan, 2004. <http://www.afghanembassy.com.pl/afg/images/pliki/TheConstitution.pdf>.

Development practitioners believe that democratic institutions are key elements for establishing democratic governance towards building unity for inclusive and participatory socio-economic development, one that is owned by the Afghan people. However, barriers in policy, from statist to private to nationalization, retarded private sector development perhaps as much as the often-stifling government control. According to one observer, "Interference in the private sector...has had an extremely damaging effect not only by making legitimate profit hard to earn but also by increasing uncertainty in what was already an uncertain environment."⁵ The overwhelming informality of the Afghan economy over the years has been attributed in large part to entrepreneurs' fear of becoming too visible, lest the state or its agents decide to impose tax on an enterprise or even appropriate it. Afghan entrepreneurs' preference for short-term trade over long-term investment in production has been attributed to this overall (abovementioned) uncertainty, not just during the years of conflict but through- out Afghanistan's modern history as well.⁶

ROLE OF INTERNATIONAL COMMUNITY IN IMPROVING RULE OF LAW TO PROMOTE ECONOMIC DEVELOPMENT

Economic development processes in Afghanistan have also obstructed by *ad hoc* investments by the international community. Under its commitment to rebuild and reconstruct Afghanistan, the international community and a majority of donor funding went towards supporting counter-terrorism activities instead of investment towards capacity-building of institutions that implemented and enforced the rule of law and general economic development.

For instance, Article 22 of the Afghan constitution and civil laws ensure that women have equality in all spheres life; and the 1977 Afghan Civil Code provides women rights with regard to inheritance and property ownership. These laws, if implemented, would help offer women financial

5. Fry, Maxwell J. *The Afghan Economy: Money, Finance, and the Critical Constraints to Economic Development*. BRILL, 1974.

6. *Ibid.*, Chapter 3

independence, giving them the freedom to make their own life choices and decisions that could see more women entering educational institutes, and/or more women joining the labour force. However, because the implementation of the rule of law remains significantly weak, women often do not enjoy access to these laws. Reasons for this include lack of will of the representatives of the judicial sector; capacity related barriers; and the predominant use of informal conflict resolution mechanisms such as the use of *Jirgas* and *Shuras*.

By redirecting international aid towards the improvement of legal institutions, particularly reform policies, these provisions could be better implemented, thereby assisting a large demographic - women - to gain access to property and inheritance rights. This would ensure that women's economic livelihoods are protected in all scenarios thereby enabling them to be economically independent which in turn can encourage women to play a greater role in their local economies.

As discussed in this paper, rule of law and its relation with the economy in Afghanistan aims to bring about legal changes and create sustainable economy. Afghanistan needs to be accountable and transparent, provide predictability in the application and enforcement of rules and facilitate citizens' participation in governance. This paper reviews the theory underlying the causal mechanisms linking rule of law to economic development. The empirical relationship between distinct components of rule of law and transition economies indicates that measures of property rights, checks on government and corruption are correlated far less tightly than is often thought. The Afghan government needs to dedicate more attention to supporting legal institutions and improve the judicial system with said reforms. That will help ensure the protection of private property from offenders; the legal enforcement of contracts; and holding the government accountable for its expenditure of public taxes. These reforms would help in the promotion of sustainable economic development by improving the legal framework in Afghanistan, including establishing an inclusive reconciliation process, building Afghan legal institutions, and helping Afghanistan create the foundations for a sustainable economy.

RECOMMENDATIONS

- Investing in formulation and — even more importantly — implementation and enforcement of government laws, regulations, and policies meant to encourage and support domestic economic activity will be critical. Relatedly, focusing on depth and quality of economic policy rather than on breadth and the number of policies developed is especially important, as are clarifying the understanding of and increasing the support for the government's vision for the economy.
- Recognizing the need for ample time to implement economic policies and institutional reforms, rather than periodically revising the policies before they can produce results, will also be critical.
- Afghanistan's legitimate current and long-term problems of competitiveness need to be acknowledged, as do its legitimate complaints about product dumping and other practices of its regional neighbors. Flexible and pragmatic are often used as code words for dispensing special favors, but instruments should be found that modestly protect Afghan markets from competing goods and enable Afghan businesses to compete in domestic and regional markets without undue distortions and protection. This would complement more activist policies to support the development of higher-value, labor intensive crops.
- The international community should further invest in Afghanistan's development, and long-term financial support over the coming 25 years should be considered. Long-term planning and investment should be published and be made accessible for the public to build hope and confidence among the citizens regarding the future development of their country. Utilizing the expertise, advice, and investment of the private sector will be essential to creating an economic strategy and to pursuing economic growth. The administration should support a greater role for organizations such as the Overseas Private

Investment Corporation (OPIC) that can coordinate and support private-sector investments.

- The donor community should also be held accountable for their performance so that their mistakes can be avoided in the future. A sustainable development in Afghanistan requires the international community to continue supporting economic infrastructure development. Investment should be based on the needs of Afghan citizens. They must revisit their investments of the past decade, identify gaps in their ways of assistance, and avoid past mistakes.

Challenges to Developing Afghanistan's Human Capital in the Decade of Transformation

By Dilawaiz Hashimi¹

With the numerous economic opportunities that are blossoming in the South Asian region, Afghanistan has a central focus towards promoting regional economic cooperation, and this renewed agenda has placed Afghanistan on the path towards self-reliance. Thus, Kabul now requires to look more into its human capital to ensure maximum benefit of the opportunities and gains for its working population within this new role that has been ascribed to it. For obvious reasons, decades of wars and instability have resulted in negative consequences towards the development of human capital for the country. However, even over a decade financial aid to Afghanistan could not generate a remarkable or even the required pool of highly educated and skilled workforce who can further the emerging service delivery and development opportunities that are expected to generate hundreds of thousands of jobs.

Considering the scope, this paper explains the gaps in developing human capital in Afghanistan, and the challenges and opportunities for its growth and development. Even though Afghanistan is considered a conflict-driven society, considering the democratization, state-building and rehabilitation processes it has undergone since 2001, in a number of issues, it shares similarities faced by post conflict societies.

The experiences of the past 14 years provide some lessons: Afghanistan has performed well in terms of quick recovery towards steadier economic

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growth compared to 2001, with a very low base in terms of socioeconomic and political conditions. Yet the achievements so far are fragile, keeping the country highly vulnerable to foreign aid. During the 14 years of enormous financial aid inflow and development opportunities, Afghanistan could gain little if any sustainable foundation for development and economic growth for the years to come. The legacy of this situation cannot be laid only on the previous government, both the international donor community and their national and international implementing partners share the accountability for failing to focus on broad based national development programs. In terms of human capital development, generally, a handful of quantitative achievements have been made - such as a dramatic increase in the number of schools, universities as well as the graduates since 2001. However, qualitative measures have little if any success stories focused on results. Similarly, due to the patronage culture that is systematically embedded in recruitment processes, Afghanistan has lost to foreign countries those of its highly qualified individuals that would have contributed in this difficult time during which the need for them is enormously felt.

Given the greater economic cooperation opportunities, such as the Central Asia Economic Cooperation (CAREC); the Turkmenistan, Afghanistan, Pakistan, and India (TAPI) gas pipeline; and the Lapis Lazuli Corridor connecting Afghanistan to Turkey through Turkmenistan, Azerbaijan and Georgia², Afghanistan needs a more focused and strategic move toward improving the quality of education, skills and capacity building to meet its human capital needs. Improving the quality of education will not only help improve economic growth but will also improve the living conditions of ordinary Afghans.

The Afghan Government's plans, which were presented at the London Conference on Afghanistan in December 2014 - to enhance productivity, increase its domestic revenue mobilization, as well as to attract more private sector investment, and stimulate growth and employment

2. London Conference on Afghanistan (4 December 2014), "*Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*", p 20

opportunities - was welcomed by participants³ Representatives from 70 countries and 20 donor organizations who participated in the London Conference committed to align their support to Afghan national priorities and to take measure to deliver more aid in the budget to Afghan national priorities based on the condition that the Afghan government take steps to bring improvement in the budget and expenditure system⁴. Nonetheless it is yet to be seen if the educated Afghan population is equipped with the necessary knowledge and tools to meet the new demands that will be required of the Afghan government to absorb the scale of donor funds that is promised in the 2014 London Conference on Afghanistan. This becomes ever so important considering the low quality and type of education and capacity building Afghans have received so far. The demand and supply of skill sets needed to fill key knowledge gaps within the government is not balanced. If the human capital needed to facilitate Afghanistan's movement toward a more stable and self-reliant economy is not met, this will affect the country's future economic development and growth in both the public and private sector.

Similarly, the Afghan government will become challenged with its commitment if recruitment, training, and control of public servants is not carried out on the basis of merit that ensures professionals and skilled labor are recruited, trained and retained for public service deliveries - thus resulting in improved socio-politico-economic situations.

Afghanistan's Self-Reliance strategy cannot be achieved unless the government takes serious measures to create a remarkable pool of capable human resources with knowledge, skills, values and attitudes at all levels. These measures assist to re-adjust and to help match the functions, responsibilities, and tasks as well as the new work methods.

3. London Conference on Afghanistan (4 December 2014), "Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership", Communique, Article 4

4. Ibid. Article 23

HISTORICAL POLITICAL TRENDS OF HUMAN CAPITAL DEVELOPMENT IN AFGHANISTAN

Human capital is one of the core elements required for a state to become well-functioning and capable of running the state machinery, and to institutionalize modernization and development. Thus successful political leaders make continuous efforts to ensure that this happens. However, modernization and development of the state in traditional and religious societies like Afghanistan is more challenging because it is interpreted as westernization, thus facing resistance from the local population. In particular, local establishments such as chieftains, landlords and religious and tribal leaders who see their role being weakened due to this change, misguide the local population to resist such change. It was in this context that many efforts by Afghan political elites to modernize the nation faced resistance from traditional power holders since 1747.⁵ One way to overcome such resistance to modern-state building, initiated by Amir Abdur Rahman Khan in the 1880s, was by use of force to suppress opposition to modernizing the state⁶. Implementing such strategies was of course a challenge, and therefore the Afghan political elite recruited those most loyal to them in important military and administrative positions. Nevertheless, considering this practice, recruitment to Afghanistan's public administration system, particularly those of its civil servants, have not been merit based.

At the same time the absence of a political party system and the dependence on informal networks that dominate the social, political and even economic relations in traditional Afghan societies, have contributed to the culture of patronage or clientelism, requiring political leaders to politicize the un-political positions within the public service systems.^{7 8} Experience in post conflict societies has shown that in order to survive, the political leadership has to be part of the informal networks⁹. They

5. Amin Saikal, (2004). "Modern Afghanistan: A History of Struggle and Survival", p 35

6. Ibid. p 36

7. UNDP, Building Capacities for Public Service in Post-Conflict Countries, p 28

8. Ibid. p 33

9. Ibid. p 28

cannot simply escape these tightly bound informal networks even if they personally want to do so. Once in power, political leaders are expected to remain loyal to the promises they have made to the network prior to gaining power, or else unprecedented results would follow - i.e. removal from the power.

Even though efforts by Afghan monarchs and those of the country's presidents, following Amir Abdur Rahman Khan, were in principle to lead Afghanistan towards prosperity and development, their personal political ambitions as well as resistance from local power holders put a negative legacy toward establishment of a strong, viable, and sustainable public administration that would serve peoples' needs and aspirations.

After the rule of King Zahir Shah (1933–1973)¹⁰, except former President Hamid Karzai, almost all rulers have had short terms in office, which means there have been frequent changes in both structure and capacities in public administration, given the patronage culture of public servants recruitments. Similarly, modernization and development initiatives of most Afghan rulers, during the modern Afghan history starting from King Amanullah's rule, was focused on Kabul and some big cities in the country such as Balkh, Herat, Kandahar, and Jalalabad. However, this thinking did not extend to areas outside of these big cities and failed to create a larger pool of human capital. But even if this thinking did lend itself to all provinces, limited financial resources would have prevented the development of strong institutional structures equipped with capable human resources.

Historically, a majority of Afghan rulers, since the establishment of the modern states in Afghanistan has faced challenges in regards to financial resources to cope with the traditional systems and norms and to undertake development initiatives, for which a highly skilled workforce both civil and military was required. Similarly Afghanistan's long lasting war and instability destroyed all of institutional and physical infrastructure. A large segment of civil servants fled the country or were killed, leaving the country's public administration in need of qualified civil servants. With

10. Ibid. Saikal, p 13

destroyed infrastructure, limited number of qualified public servants and lack of international community's financial support to Afghanistan at the end of the Cold War, Mujahideen regime was short in providing sufficient services. With the emergence of the Taliban regime from 1996–2001, government services were eroded even further.

The war against international terrorism pulled the US and its allies into a forgotten post-cold war Afghanistan that was believed to be a safe haven for terrorist groups. The fall of the Taliban regime and the establishment of the new democratic government in Afghanistan were the first steps taken to begin a new journey toward, democratization, state building, and development. For this to happen the international community - the US in particular - began a generous scheme of financial, technical and military support to ensure both the fight against Osama bin Laden and the Taliban - that had reemerged as military opposition against the Afghan government and the international military presence - and to assist the Afghan government in its reconstruction and development efforts. As a conflict-ridden society with destroyed infrastructure; a devastated economy; poor institutions in education, health, and other social institutions; fragile security; illegal poppy cultivation and trafficking,, Afghanistan become a place that was difficult to tackle for both Afghan statesmen and the international assistance mission. Since in the post-2001 environment, the commitment of the international community in Afghanistan was very high and the Afghan people too were tired of more than three decades of war and devastation, the country entered a period of fabulous opportunities and financial assistance.

Nevertheless, the reality remains that the extent of international focus and resources committed to Afghanistan in the last 15 years does not match the development on the ground; there have been many missed golden opportunities that Afghans and their international counterparts could have made better use of. Therefore, aid that was channeled to Afghanistan for reconstruction and development lost its effectiveness in the face of the ongoing war, illicit economy, and corruption.

POST CONFLICT CONTEXTS AND AFGHANISTAN

While there is a lot of effort in rebuilding post conflict societies and both national and international arrangements are made available to remove the damage caused by wars and instability, a great level of dissatisfaction exists among the people for the insufficient service deliveries by the newly elected governments. Partly due to the high damage caused by years of conflict and partly due to the high level of expectation by the people that has risen on the basis of promises made by presidential candidates during election campaigns, the service delivery by the government is hugely criticized. While post conflict leaders tend to lead the nation toward prosperity and development, it is irrational to promise and or expect to pretend that things will get in the best order and that comfort and stability is just a short while away. A successful leader who gains power after along term violence does not make unattainable promises to people. “They do not give people false assurance that the end of violence is the end of poverty and misery and that the leadership alone will find solutions to every one’s problem,”¹¹. If they give unrealistic promises and paint a beautiful picture of the future and then are unable to make it a reality, everyone will be hit and disappointment and disillusion will spread, creating a big distance between the government and the public¹². In situations such as this there are high chances that violence will erupt again¹³ and everyone trying to survive and secure their own future will end up with corruption. Of course, corruption will take away public resources that are expected to deliver lifesaving assistance as well as reconstruction and development of the country.

Corruption become the harsh and difficult to tackle reality due to the fact that there are impediments that facilitate corruption at every spheres including “weak systems, high level of conflict, [or fragile peace], embedded form of patronage, very low level of political will and new resources of income, notably aid”¹⁴. That said, in the fragile context

11. Ibid. UNDP, Building Capacities for Public Service in Post-Conflict Countries p 14

12. Ibid. p 14

13. Ibid. p 14

14. UNDP, Restore or Reforms? UN Support to Core Government Functions in the Aftermath of Conflict, p 57

of countries undergoing a conflict to peace transformation, recovery and reconstruction efforts are challenged, making it no surprise to see failure in the immediate aftermath of the conflict. While it is accepted that fighting corruption takes time, it is also a reality that if corruption is not controlled at the beginning, it will become embedded in public administration systems, making it difficult to remove. While Afghanistan shared similar prospects, and has experienced them throughout its effort towards reconstruction and development, the country also continues to bear the damaging consequences of war and turmoil in its stability and growth.

AFGHANISTAN'S RECONSTRUCTION AND DEVELOPMENT POST 2001

Afghanistan's reconstruction and development agendas have yielded mixed results. A number of major achievements cannot be denied, particularly when compared to a low base start in 2001. Major achievements include numerous important indicators including democratization, social inclusion, rapid economic growth, basic health and education. Similarly, improvement in social indicators including life expectancy, maternal mortality, and women's participation in socioeconomic and political arena has been impressive albeit challenges remain constant. However, Afghanistan is yet to reach its full potential to resume full responsibilities for sustained development and economic growth in the years to come.

After 2001, the Afghan government and the international community rushed to fill the great need felt after years of wars and instability to ensure that the smooth running of service delivery and development activities are in order. As big as the gap was, filling that gap in a short while took large scale spending and risked quality and sustainability of interventions in Afghanistan. In particular, considering the limited human capital in the job market, both the Afghan government and the international community began hiring a bulk of staff mostly with minimal qualifications to run state machinery and to undertake welfare and development initiatives. Few if any qualified individuals inside the country and those who returned from foreign countries took on this important role.

Challenges persisted, as those who were educated and raised in foreign countries had not tested the contextual difficulties of the country were unaware of the actual needs. They were therefore, unsuccessful.¹⁵ Those who had been received education in Afghanistan felt the consequences of the low quality of education, and were therefore not very familiar with the new concepts introduced with expatriate staff that took the role of advisors and consultants to develop strategies, policies, and systems for government institutions. Hence, several documents (policies, strategies, procedure, etc.) were developed and systems were established, but were, unfortunately, of minimal use, and thus did not sustained.

Since 2001, donors continue to fund large numbers of expensive technical assistance personnel, or international Externally Funded Staff (EFS). Such recruitment took away an estimated annual fund ranging from \$250 million to well over \$1 billion¹⁶. As per an estimation by the Ministry of Finance, as of 2010, there were about 7000 Afghan consultants working in non-security ministries and agencies¹⁷. A 2011 World Bank survey of eight key ministries and one agency found just under 5,000 EFS working in these entities, all but 200 of them Afghans, estimated to cost \$125 million a year¹⁸.

Poor aid effectiveness, uncoordinated development and service deliveries and lack of trust on Afghanistan's newly established democratic institutions due to widespread corruption and lack of capacity have been important contributors to a fragile economy and the security condition in Afghanistan. Even though an annual funding of up to approximately \$15.7 billion has been spent in Afghanistan in 2010/11 (together), a bulk of this aid was allocated for security sector¹⁹. Civilian aid expenditure is estimated to be only \$6 billion per year²⁰. Similarly, in 2010/11 a greater portion of aid \$13.5 billion (88%) has been executed by donors and their

15. DROP interview, Mr. Jamshaid Barakzai, Deputy Director, Human Resource Directorate, Administrative Office of the President, Kabul, August 2016

16. WB (2012), "Afghanistan Transition: Looking Beyond 2014", Volume 1. Overview, p 13

17. *Ibid.* p 13

18. *Ibid.* p 13

19. *Ibid.* p 1

20. *Ibid.* p 1

partners through the “external budget,” and only \$1.9 billion (12%) was on budget through the “core budget”²¹. “Despite the large volume of aid, most international spending on Afghanistan is not spent in Afghanistan, as it leaves the economy through imports, expatriated profits of contractors, and outward remittances”²². As described by Cordesman, International Governmental–Organizations like USAID have in reality had minimal impact on economic development in Afghanistan. He further states that “claims about progress in health and education that have no basis in reliable population data and which are almost universally selected to imply that aid has produced exaggerated benefits”²³.

Sidelining the Afghan government in the administration of international funds and channeling 88% of funds through local and international organizations, the international community slowed down state–building efforts, including public administration capacities for service delivery as government institutions had limited opportunities for learning due to the limited budget funding. Many writers on state–building, including Zoe Scott, assert that when external players interfere in state–building, they undermine the ability of the new emerging state to govern independently. They also disrupt local ownership and create space for spoilers²⁴ to benefit from this situation. “This takes the form of financing and the creation of space for elements in the so–called civil society to play what are essentially political roles”²⁵. Qualified young nationals are recruited with high salaries by national and international NGOs with resources and facilities unavailable to government staff²⁶.

In the face of limited human capital, Afghanistan became a good job market for internationals both Afghan, and foreign expatriates. Since most jobs were in the service delivery area, it had little or any impact on

21. Ibid. p 1

22. Ibid. p 2

23. Cordesman Anthony H. “The Afghan War in 2013: Meeting the Challenges of Transition”, *Afghan Economics and outside Aids*, Volume II. p10

24. Scott Zoe, “*Literature review on state building*”, University of Birmingham. International Development Department

25. UNDP, *Building Capacities for Public Service in Post–Conflict Countries* p 34

26. Ibid. p 35

the Afghan economy because income was leaving the country. A very high pay for professional and senior level positions by the international community attracted Afghan academia and professionals from inside and outside the country to occupy those positions. A bulk of these professionals earned their work experience in areas different from those of their qualifications during the years of wars when they were working in international organizations working for Afghanistan, while others were working as lecturers in international universities. Though this was based on need at that time²⁷, these professionals could contribute to educating Afghan youths for future development of Afghanistan.

Similarly, the foundations of public sector delivery should have been strengthened within Afghan government institutions so that majority of the aid could be channeled through government institutions for implementation of large development projects. However, unfortunately, both capacity and widespread corruption in government institutions did not allowe this to happen.

To address this issue, the Afghan government, with support from the international community, established the Independent Administrative Reform and Civil Service Commission (IARCSC) in 2002 to ensure a transparent merit-based administration free from discrimination²⁸. The institute hired qualified Afghans with higher salaries, and has introduced many new concepts to the Afghan public administration such as human resource management, staff evaluation, and merit based appointment²⁹. The IARCSC also facilitates fellowships and master's degree programs outside the country for public servants. Similarly, the Civil Service Institute established under the IARCSC provides short term capacity building for government employees³⁰. While, these initiatives constituted an important role in shaping Afghanistan's public service delivery, their transparency and effectiveness compared to the funding it received from

27. DROPS interview, Mr. Mohamad Khalid Arshad, Human Resource Coordination and Development Director, Independent Administrative Reform and Civil Service Commission, Kabul, August 2016

28. DROPS interview, Mr. Mohamd Aagul Kochai, Ibid. Arshad, August 2016

29. Ibid. August 2016

30. Ibid. Arshad, 2016, DROPS interview, Mr. Khair Mohammad Niru, Director General, Labor Force (Quwa-e-Bashari), Ministry of Labor, and Social Affairs, Martyrs, and Disabled, Kabul, August 2016

the international community in 14 years begs further scrutiny.

HUMAN CAPITAL: CURRENT TRENDS AND OPPORTUNITIES

Afghanistan Living Condition Survey (2014–2015) indicates that the level of population living below poverty line has increased from 36.5% in 2011–2012 to 39.1% in 2014–2015³¹. Approximately one-third of Afghanistan's population is estimated to be food insecure; the proportion of the households with low dietary diversity is 36% of all Afghan households³². Afghanistan's labor force participation rate is the lowest in the region accounting for only 47.9% in 2013, with unemployment rate of 16.4% for the age group 16–24 in the same year³³. While the unemployment ratio is troubling, 39% of the population is not gainfully employed³⁴. The share of fully unemployed has risen significantly from 2007–08 from 14% to 22%³⁵. At the same time, among those men and women who are employed, a large majority - 79% - is working in vulnerable employment conditions lacking formal work arrangements and access to benefits or social protection³⁶. Around 90% of the working population is employed in low skilled-occupations³⁷. Likewise, the proportion of the age group under 15 constitutes 47.5%³⁸ and indicates a high level of age dependency. With a situation such as this, Afghanistan currently faces numerous further trends that need to be seriously addressed during the transformation decade.

A major trend for the country is the population growth rate, that is estimated to be 2.2 in 2014³⁹ - the second highest in the region. It is estimated that in five years, there will be more than 5.5 million children of primary school going age whereas at present, the government can accommodate only 2.9

31. CSO (2013–2014), Afghanistan Living Condition Survey, p 31

32. Ibid. p 31

33. ADB, Key Indicators for Asia and the Pacific, pp 207, 209

34. Ibid. CSO, p 30

35. Ibid. p 30

36. Ibid. p 30

37. Ibid. P 30

38. Ibid. p 13

39. Ibid. ADB, p 203

million⁴⁰. Currently, the age dependency ratio is 89.8%⁴¹, the highest, and almost twice the second highest in the region. That said, with further increase due to population growth rate, Afghanistan will face tremendous challenges in providing services particularly in health, education, and life maintenance needs; and thus the Afghan government must be alert and take serious measures to address this issue

The 'Realizing Self-Reliance Strategy: Strategic Vision for the Transformation Decade,' is a formidable commitment by the Afghan government and the international community in moving the country towards building a self-reliant and sustainable economy by 2024. The strategy presents the Afghan government's commitment to ensure peace, stability and security in the country; and to realize self-reliance by enhancing productivity, growth and revenues⁴². Similarly, Goal 8 of the Sustainable Development Goals (SDGs) is to make governments liable to "promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all"⁴³. Attainment of this goal is supported by Goal 4 that requires governments to "ensure inclusive and equitable, quality education and promote lifelong learning opportunities for all."⁴⁴ These goals make governments liable to consider measures to achieve these goals through their roadmap to sustained development. The Afghan government ratified the SDGs and is currently working to incorporate specific indicators of SDGs into the country's development strategy, which is in the process of being finalized.

That said, investment in building human capital is not only a precondition for development and growth but this will also ensure individuals are equipped with the right knowledge and skills that improve their employability and productive capacities, and thereby facilitate improved living standards. The general finding is that individuals with more education tend to have better employment opportunities, greater earnings,

40. CSO, p 13

41. Ibid. ADB, p 206

42. Ibid. London Conference on Afghanistan, p 4

43. UNDP, Human Development Report, "Work for Human Development", p 15

44. Ibid. p 15

and produce more output than those who are less educated. These findings provide a strong rationale for governments and households to invest substantial portions of their resources in education, with the expectation that higher benefits will accrue over time.⁴⁵

THEORETICAL PERSPECTIVES ON HUMAN CAPITAL

As early as the work of economic theorists beginning with Adam Smith, the importance of human capital was first recognized⁴⁶. Many social scientists began to develop theories that would further enhance investment in human education and skill building in order to gain better economic benefits. While there is correlation between education and economic growth, it is not necessarily the case if the quality of education is low⁴⁷. Hyun H. Son argues that “staying in school will not build human capital if the quality of education is very low”⁴⁸. Similarly, neoclassical growth models had predicted that the expansion in education will not necessarily lead to higher productivity and economic growth⁴⁹. Evidence shows, as described by Son that the expansion in education since 1960s has not achieved the expected increase in economic growth especially in developing countries⁵⁰. Seemingly, it is not the level of education but knowledge that affects economic growth. This means that, education should be translated into quality skills if it has to contribute to socioeconomic gains. Similarly, “for education to be growth promoting, it must be of sufficiently high quality that it builds cognitive skills.”⁵¹ Since cognitive skills are developed at early ages⁵², it should be gained during primary and secondary schooling years, and therefore, it becomes a strong cause for public financing of early childhood education.

45. Son Hyun H. (2010), “Human Capital Development”, ADB Economics Working Paper Series No. 225

46. Kucharzika, Alzbeta, “Human Capital - Definition and Approaches”, Human Resource Management and Ergonomics, Valum V. p 60

47. Son Hyun H., “Human Capital Development”, ADB Economics Working Paper Series No. 225, p 18

48. Ibid. p 17

49. Ibid. p 17

50. Ibid. p 17

51. ADB O, “Key Indicators for Asia and the Pacific”, 46th edition, p 36. 2015

52. Ibid. p 33

Researches have shown that early childhood education has large payoffs to skills development⁵³. Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS) tests of 14–15-year-old children reveal that test scores are 9% higher for students who began going to school before age 5 rather than 7, but only 2% higher for those who began at age 6⁵⁴. Said that as lower-income families cannot afford financing of their children's early childhood education, therefore, a considerable number of developing economies are not performing well on early childhood education⁵⁵. Testing the impact of schooling quality on growth found that a one unit increase in the country's average cognitive test scores increases its per capita GDP growth rate by 1.2-2.0 percentage points⁵⁶. Moreover, increasing average math and science scores by one unit increases per capita GDP growth rates by 2.0 points, and by 2.3 points for low-income countries, therefore, in general, all these studies find that education is significantly and positively correlated with economic growth⁵⁷.

While these are important findings, theories and concepts are not always applicable in real life. They need to be contextualized and practiced to get results over time. Though we can conclude that education leads to gaining knowledge and knowledge if applied, impacts growth, a systematic approach is required to make this happen. One approach introduced by Alzbeta Kucharcikova is knowledge management, who states that "knowledge management deals with the creation, acquisition, integration, distribution, and application of knowledge to improve the operation effectiveness and competitive advantage of an organization"⁵⁸. If successfully applied, knowledge management will generate knowledge capital which embodies human capital. Here, a question arises as to whether knowledge be automatically transformed into productivity resulting growth. The answer is no because human capital without

53. Ibid. p 36

54. Ibid. p 36

55. Ibid. p 36

56. Ibid. Son, p 10

57. Ibid. p 10

58. Ibid. Son, p 64

structural support will not yield results. There is a need for a definition of both the terms, human and structural capitals, so that their effectiveness is measured.

Many different definitions are presented by theorists that have their importance in understanding human intellectual abilities. A simpler definition states that human capital is the capability and competence of people to transform raw materials and capital into goods and services, and the agreement is that acquiring these skills can be done through the educational system⁵⁹. However, a broader definition is presented by Maran Marimuthu, Lawrence Arokiasamy, and Maimunah Ismail entails that education, training, and other professional initiatives contributing to increased level of knowledge skills, abilities, values and social assets to improve employees performance thus contributing organization performance⁶⁰. Similarly, human capital is considered to be a collection of knowledge, talent, state-of-the-art and capabilities of the company's individual employees to meet the task at hand. However, it is further illustrated that a company cannot be the owner of human capital and that there is no guarantee that human capital will not automatically contribute to growth. To use human talents, there is a need to consider structure capital. Structural capital is the hardware, software, databases, organizational structure, patents, trademarks, and everything else of organizational capability that supports those employees' productivity⁶¹.

Traditionally it is believed that upgrading the capacity of the individual will improve organizational capacity and performance. One view is that the "the accumulation of human capital improves labor productivity; facilitates technological innovations; increases returns to capital; and makes growth more sustainable, which, in turn, supports poverty reduction,"⁶². However, recent global research has found that upgrading the capacity alone will not automatically translate to improved

59. Ibid. p 2

60. Marimuthu Maran, Arokiasamy Lawrence, and Ismail Maimunah, 'Human Capital Development and its Impact on Firm Performance: Evidence from Developmental Economy', *The Journal of International Social Research*, Volume 2/8, p 266. 2009

61. Ibid. Kucharcikova, p 63

62. Ibid. Son, p 2

organizational performance. First, because individual staff or project focused support rarely address the organization's priority needs or misses the 'big picture issues' the organization faces. Second, because a focus on individuals and projects may even undermine the organization's capacity as the trained individuals may not find an environment conducive to the use of their new knowledge, skills, and attitudes⁶³.

HUMAN CAPITAL AND THE CURRENT MARKET DEMAND IN AFGHANISTAN

As mentioned earlier, there is commitment from the Afghan government and the assistance community to shift implementation of the large scale development projects, and service delivery by government institutions, many question remains unanswered as to whether there is limited human capital for service delivery and development in the transformation decade; whether those who are educated are ready to fill the gap considering the quality and type of education and capacity building they have received; will the knowledge and skills acquired meet the current market demands if Afghanistan moves toward a more stable development economy? Considering the scope of this paper, a number of interviews were conducted, and secondary sources were researched. The findings revealed that interesting insights, and are presented below:

Is there limited human capital for service delivery and development in the transformation decade?

Majority of interviewees stated that human capital is not limited by indicating the number of youth who got education inside and outside the country. They stated that Afghanistan has a good number of individuals with masters and PhD qualifications, and a lot more have bachelor's degrees from inside and outside the country. They also hope that the number will increase each year with new commitments made by a number of countries to help Afghanistan in this prospect. Interviewees

63. Ibid. UNDP, Building Capacities for Public Service in Post-Conflict Countries, p 51

stated that evidence to this prospect is that when a position is announced in their institutions, they receive hundreds of CVs with at least 50 of them masters and PhDs.

Nonetheless, if Afghanistan's labor market has a sufficient pool of qualified individuals then as generally stated why are approximately 50,000 positions still lying vacant in civil service institutions? The response was that "most positions that are vacant are in local institutions (districts authorities) and therefore, there is very little motivation for educated individuals to work in those areas partly due to insecurity and partly due to hard working conditions"⁶⁴. Niazi stated that there are examples of local offices that do not have a proper office building; A container used to serve as the office building of the third layer of government offices. However, many reasons seem to have contributed to increased unemployment in Afghanistan. Increase in the number of unemployed individuals does not necessarily indicate that there is sufficient number of human capital that can contribute to sustained economic growth. The reasons shared are, firstly, a remarkable decline in aid as a result of which majority of those hired in national and international organizations lost their jobs; with the withdrawal of international security forces alone, approximately 170000 people who were working directly with them lost their jobs⁶⁵. Secondly, there is a surplus of those educated in service delivery areas, who now find it difficult to find jobs; meanwhile, Afghanistan's government is trying to downsize ministries' structures with the intention to keep small numbers of qualified individuals to run those ministries and other government institutions⁶⁶; thus contributing to an increase number of human capital in the labour market. Thirdly, as Mowahid⁶⁷, stated, is the quick development in constructing human capital through general education, higher education and technical and vocational skills trainings. This therefore, does not mean that Afghanistan's human capital

64. DROPS interview, Mr. Rohullah Niazi, Director General, Human Resources, Independent Directorate of Local Governance, Kabul, August 2016

65. Ibid. Barakzai, 2016

66. Ibid. 2016

67. DROPS interview, Mr. Hassibullah Mowahid, Deputy General Director. Afghanistan Central Statistics Office. Interview conducted in August 2016

will meet the market demand for skilled workforce. All interviewees placed the liability of this mismanagement of the Afghan labor market on Afghanistan's leadership in all three branches, because they mostly have used their power and or authority to interfere in the education, training and recruitment processes.

Due to the patronage nature of the hiring process where human resource departments are not given authority to fully implement merit based appointments and due to lack of innovation and or flexibility of leadership to accept innovative programs that could include and retain the educated younger generation in the labor market⁶⁸ Afghanistan's human capital is not utilized effectively. Findings of the Ministry of Labor, Social Affairs, Martyred, and Disabled (MoLSAMD) as presented in Chart 2 illustrates that over 50% of the respondents were hired based on family connection while up to 30% found their jobs based on friends' and neighbors' referrals⁶⁹. Similarly, there is also a general view that even low level positions are hired based on recommendations of the government institutions' leadership, parliamentarians, and power holders. Staff members who are hired based on relations are not qualified to perform well and on the contrary, they just carry out work to fill their responsibility but do not care about the quality of their work and the results that should be attained⁷⁰.

Most qualified individuals who do not have political support and do not have relations with higher level authorities in government do not trust government recruitment processes, and therefore do not bother to apply for positions in government because they know that unless there are family ties, or unless friendly relations with government employees - particularly with key staff members - exist, they will not get the positions they apply for⁷¹. Also, there is a general view that, even though government employees receive lower salaries compared to other

68. DROPS interview, Shafiqullah Ibrahim, Kabul, August 2016, Ibid. Niazi, Ibid. Barakzai, 2016

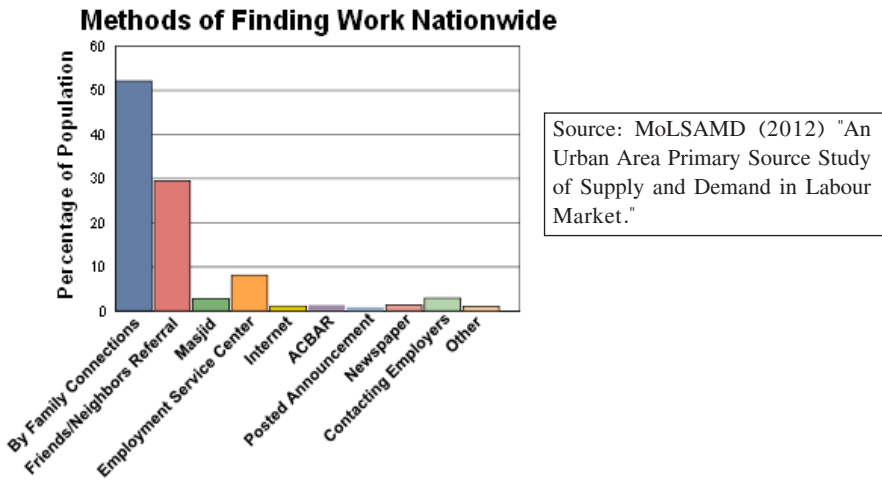
69. MoLSAMD (2009), "An Urban Area Primary Source Study of Supply & Demand in the Labor Market", p 27

70. DROPS interview, Ahmad Waheed Shakib, Director of Organizational Structure and Cadre Affairs of the State, Kabul, 2016

71. Ibid. Niazi, 2016

organizations, individual still try to get those high level positions in both civil and military spheres to the extent that they give huge amounts of bribe to get those positions. This is because the high levels of corruption, and the illicit drug trade, gives them many opportunities to earn income, a matter of concern that need to be studied in dept.

CHART 1



Can educated Afghans fill the human capital gap using the quality and type of education and capacity building they have received?

The response was encouragingly positive. Nonetheless, conditions were suggested to enable the new graduates to adjust in governmental institutions' work environment, such as: issues of lack of experience should be addressed through internship programs, exposure visits and on the job coaching and training to enable the fresh graduates get the required experiences and skills⁷². Experience shows that the most successful civil servants were from the young generation who got education and work

72. Ibid. Ibrahimi, 2016

experience in Afghanistan and got the opportunity to get their master's and/or PhD degrees outside the country⁷³. A good way to get the best use of available human resources is to have old employees serve as advisors and new ones take active part in designing and implementation of public service and development programs⁷⁴

However, interviewees stated that the quality of both general and higher education as well as the technical and vocational training were not met to prompt highly educated and skilled workforce for transformation decade. These findings support the neoclassical growth models described earlier that increase in number of graduates will not necessarily help higher productivity and economic growth.

There is a need to emphasis on the quality of education to increase knowledge, by acquiring cognitive skills, gained during the school years. Additionally, one cannot deny the effect of lack of transparency in the selection of candidates for higher education programs abroad. Though there is no evidence to prove this, considering the high level of corruption in government institutions and as a general view, one may certainly accept the view that most of those who used these opportunities had links with power holders, and/or were rich people who bought the scholarships to escape the exams taken for identifying qualified students/individuals. Lack of merit based selection of candidates would have indeed affected the quality of education because abilities of individuals were not a determining factor for getting higher education abroad. It is observed that a number of individuals who participated in higher education programs abroad have complained regarding the language of teaching, which, in most cases is English. Lack of required language skills has affected their learning abilities and has also thus caused lower education results.⁷⁵

A similar issue existed in capacity building programs for civil servants, employees of national organizations, as well as graduate students. Since

73. Ibid. Barakzai, 2016

74. Ibid. Ibrahim, 2016, Ibid. Barakzai, 2016

75. Ibid. Ibrahim, 2016

2001, approximately \$2.2 million were spent on capacity building projects focused on short-term trainings, but these projects were a failure as they did not contribute to improved job performance of the participants⁷⁶. Mostly, participants for training programs were not selected as per their qualifications and job needs. It was just based on relations, and simply the turn for participations⁷⁷. In such a situation, training courses become a chance to get tours of foreign countries and receive *per diems*, training stipend and or enjoying refreshments and food offered by capacity building programs. In my own personal experience, many individuals hold several training completion certificates, but their performance has been minimal.

This is understandable that one cannot expect the high-quality education standards described in earlier section. However, one can also not deny the fact that there have been many opportunities available to Afghanistan that could have been used more strategically to improve the quality of education. Afghanistan's leadership and policy makers should have put more weight on knowledge management approach that, as stated earlier, deals with the creation, acquisition, integration and distribution and application of knowledge. Using this approach, the Afghan government should have placed more focus on the design of curricula, implementation of those curricula and selection of areas where need for qualified individuals were most felt. Structural support to help graduated individuals utilize their knowledge at best possible manner through capacity building and other on the job training programs was areas that needed more attention. Unfortunately, Afghanistan has many missed opportunities in this regards as well.

Will the knowledge and skills acquired meet the current market demands if Afghanistan moves toward a more stable development economy?

The current situation of the labor market is not good because there are limited number of skilled individuals as per market demand. In other

76. Ibid. Barakzai, 2016

77. Ibid. Ibrahimi, Barakzai, 2016

words, the proportion of those who graduate and the demand in market does not match. Each year, there are at least 5,00,000 new entrants to the labor market that further surge the unemployment rate⁷⁸. In some areas we have too many and in some areas there is lack of sufficient workers⁷⁹. This is validated by data obtained from the Afghanistan Statistical Year Book 2015–2016 where it was observed that in public universities, degree programs such as veterinary (113), pharmacy (75), electro mechanic (71), stomatology (90) in the year 1394 (2015–2016) were the ones in which the lowest number of students graduated in. Furthermore, an illustration of the current human capital status by levels of education reveals that 61% of all men and women employed⁸⁰ and underemployed⁸¹ have not attended any school; and 10% had attended up to primary schools. Consequently, nine-tenths of the employed workforce is in unskilled occupations.⁸²

Interview findings too illustrate that many factors support the view that the increase in the number of graduates from Afghanistan's public and private institutions since 2001 does not necessarily indicate that Afghanistan possesses the required human capital to further more advanced economic initiatives that could help Afghanistan's growth and sustained development. Low quality of education is due to outdated curricula for public higher education; and the curriculum in private higher education, albeit updated, the quality of its implementation is extremely low because majority of these institutions do not have qualified faculties⁸³. Similarly, there is a general view that majority of private higher education institutions are established by power holders who use these institutions as a mean for earning income rather than provision of quality education

78. Ibid, Niru, August 2016

79. Ibid. 2016

80. According to the definition of national labor force, all persons aged 14 and over who, during the reference period of one week, were in paid employment or self-employed and who worked at least eight hours

81. All persons aged 14 and over who, during the reference period of one week, were:

a. working less than 40 hours

b. available to work additional hours; and,

c. willing to work additional hours

82. Ibid. Afghanistan Living Condition Survey. P 53

83. Ibid. Kochai. 2016

services for the population⁸⁴

Another view is that, the gained knowledge and skills were not used such that it would have benefited Afghanistan's economic growth. Greater and more serious efforts are required to accommodate the available skills in a proper manner, and to generate new specialized skills in areas such as agriculture and animal husbandry, pharmacy, veterinary sciences, mining, and other skills that can be used to transform the rich raw materials the country has, into finished, high quality and value added products and thus boost economic growth⁸⁵.

Likewise, considering the Afghan government's efforts to attract regional cooperation such as the Central Asia Economic Cooperation (CAREC); Turkmenistan, Afghanistan, Pakistan, and India (TAPI) gas pipelines; and the Lapis Lazuli Corridor connecting Afghanistan to Turkey through Turkmenistan, Azerbaijan and Georgia; design and execution of large scale national development programs, such as construction of dams as stipulated in Realizing-Self Reliance strategy, as well as the renewed commitment by the international community in London Conference in 2014, more jobs need to be created for which the current human capital is not sufficient and or sufficiently equipped with knowledge and skills to undertake this huge task ahead. Similarly, signing agreements with the World Trade Organization (WTO), makes Afghanistan government liable to adhere to international trade laws that perhaps entail both quantity and quality of production and services that meet international market standards and needs. Though challenging, considering the current status of human capital, Afghanistan's leadership and policymakers need to work more strategically to ensure that demand driven high quality education, and skill trainings are provided for students, job seekers and currently employed individuals to address the supply-demand challenges of the job market in this country. For instance, there is limited human capital for development of Afghanistan's huge agriculture and animal husbandry potential and which needs immediate addressing.

84. Ibid. 2016

85. Ibid. Mowahid, 2016

While farming and animal husbandry constitute the backbone of Afghanistan economy, these occupations are among the least gainful occupation in the country due to traditional means of harvest and distribution. Agriculture is the main source of income for 61 percent of the households and for 28 percent as the main source of income, thus the main source of employment for 44 percent of working population⁸⁶, however, few if any skilled and technical human capital currently exists to ensure a market value added in this sector. The *supply and demand in the labor market* study conducted by Ministry of Labor Social Affairs Martyred and Disabled (2009) found that, in the agriculture sector the number of employees with management and administration skill count for 17 percent for male and 3 percent for female, while professional/technical skills is only 6 percent for male with no women having this skill.

According to the study, unskilled and skilled labor each count 11 percent and 50 percent is determined as others by the survey⁸⁷. Chart 2 presents percentage of employment in each sector split into male, female and the level of skills. Even though 44 percent of the populations are employed in agriculture the sector contribution in GDP is only 22.13 compared to service delivery that constitutes 52.28 percent of GDP⁸⁸. Compared to agriculture, other sectors such as business and commerce, construction, manufacturing, and service delivery has higher percentage of professional and technical employee that count for 13 percent, 16 percent, 7 percent, and 29 percent respectively⁸⁹. While graduates of agriculture faculty is the third highest (3038) after faculty of literature (4156) and faculty of Education (6560) among the total graduates for the year 2015–2016⁹⁰, considering the economic value and employment ration of this sector this level of graduation will counted nothing for the great need felt if Afghanistan plan to mechanize this sector for economic growth and development in the transformation decade.

86. Ibid. Afghanistan Living Condition Survey, p 32

87. Ibid. Ministry of Labor Social Affairs Martyrs and Disabled, p 52

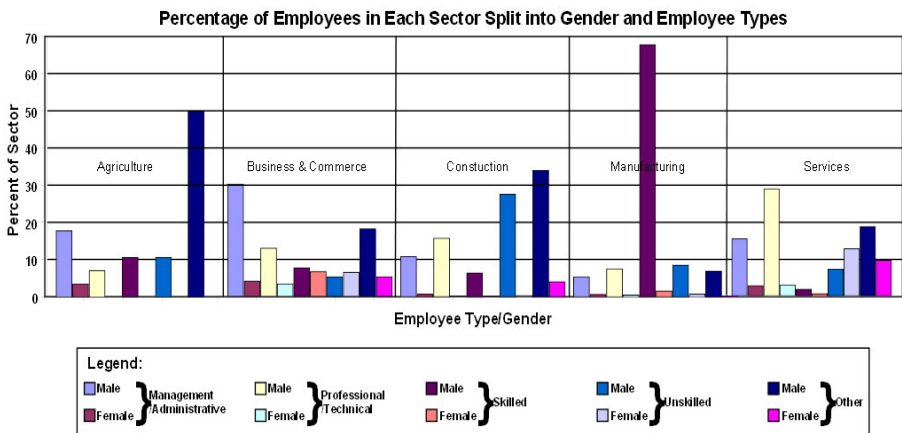
88. CSO, Afghanistan Statistical Year Book (2015–2016), p 20

89. Ibid. MOLSAMAD, p 52

90. Ibid. CSO (2015–2016), p 62

Since developing human capital is a cross cutting issue between many sectors including but not limited to education, employment, capacity development and social protection, the following recommendations are considered to be a starting point for more detailed assessments and serious policy dialogues and decisions. The recommendations listed here include the valuable inputs and solutions to the problems presented by highly respected officials from government, and independent government institutions who were interviewed for this paper and to whom I am thankful for. I appreciate their time and insights they generously shared.

CHART: 2



Source: Ministry of Labor Social Affairs Martyers and Disabled (2009) " An Urban Area Primary Source Study of Supply and Demand in Labour Market

PUBLIC SECTOR INSTITUTIONS

Improvement in quality of education: a national evaluation of the current education system (primary, secondary, and higher) including curricula, its implementation methods, and students’ performance evaluation needs to be undertaken. Innovative measures based on the assessment’s findings should be incorporated into the current education strategies. A link between primary and secondary education, secondary education with higher education should be created to ensure attainment

of cognitive and non-cognitive skills are technically divided between all three stages of education attainment (primary, secondary, tertiary and higher).

Student career counseling centers to be included in high school and university structures: taking decisions regarding higher education and career building is not an easy step for both students and their families. The counseling service centers will not only provide advice to students for their education choices based on their interest and visions but will also help the country have a balance in educational areas based on market demands. Similarly, the center can help provide psychosocial wellness and moral education to students so that they produce/educate honest and committed workers for the development of this country. If students' moral character is built through educational institutions, this will help the country reduce corruption.

Result based performance evaluation of the public servants: Public servants' performance evaluation process should be undertaken strictly. The required skill building and career development plans should be developed and linked to capacity building initiatives based on job performance. For this reason, highly skilled and honest Human Resource Development Staff need to be recruited, retained and trained so that they can take strict measure in performance review. High level political support is required if this is to be successful.

Public servant employment, capacity building, and reward and punishment policies should be developed and/or revised based on current needs. The policy should include:

- a. The definition of the political and technical positions so that with change in political leadership, the technical positions are insulated from frequent changes, thus creating job security and career building opportunities for specific positions within ministries and other government institutions;

b. The criteria or preconditions for training and capacity building of public servants need to be developed and seriously observed to avoid irrelevant training to staff members;

Hire and retain highly qualified workers for public sector delivery: the Afghan public sector needs highly qualified individuals to run the state machinery, to provide good services and to ensure socioeconomic development of this country. Highly qualified, committed and honest employees who are hired and retained is not an expense but are value additions that make governments succeed in implementations of its short, medium and long-term goals.

PRIVATE SECTOR INSTITUTIONS

Development of labor/workers' promotion policy: the private sector should consider the continuous promotion of the labor in terms of education and lifelong learning, and improvements in income. The concept of shareholders in income should be incorporated in the policy and a specific share of the income should be allocated for the individual's education and career building.

Create decent employment opportunities for people: the private sector should undertake initiatives that promote innovative ways to generate decent employment for people. Use of technology, particularly in labor incentive work such as agriculture and animal husbandry should be introduced, so that they evolve into more gainful occupations and thus promote the export of quality products to international markets.

Private sector law: the government should ensure private sector law is developed and/or revised based on current market needs and the current policy environment. The government should monitor the enforcement of such laws and the policies of private sectors.

Role of the media: Media organizations play an important role in raising awareness, educating, capacity building and monitoring progress on

human capital for service delivery and development of this country. They can develop programs that encourage innovation and quality assurance.

JOINT VENTURES BETWEEN PUBLIC AND PRIVATE SECTORS

Strict monitoring and evaluation of the education sector: a national independent education monitoring and evaluation body should be established with a supervisory board (comprised of members from government, civil society, private sector, and UN entities who work in the education sector) to monitor education sector performance including both private and public education institutions. The establishment of monitoring and evaluation should report to the public so that educational institutions become accountable to people, particularly to those who invest sufficient financial resources for educating their children. This will help create a competitive environment for quality education delivery. Lessons should be learnt from countries such as Pakistan, India, and Iran. High level political support is required for this intervention in order succeeds and sustain.

Determine the current human capital pool: a joint national comprehensive assessment survey of the current labor market undertaken to find the demand and supply needs for both public and private sector and a national labor and employment strategy is developed as per Afghanistan Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership The strategy should link employers with educational institutions and capacity building providers.

Coordination, cooperation and joint programs between IACSRC and human resources/Afghanistan workforce (Quwa-e-Bashari): since there exists a close working relationship between IACSRC and MoLSAMD, it is recommended that the IACSRC and Afghanistan workforce (Quwa-e-Bashari) are merged as an independent government institution with close ties with MoLSAMD, so that close coordination and cooperation takes place between both the IACSRC and Quwa-e-Bashari. It will also facilitate undertaking joint efforts for capacity building and

career development plans for both public servants and private sector employees. A joint oversight committee should be established to monitor conflict of interest between these bodies and the MoLSAMD.

Collaboration between public and private educational institutions: this should be carried out for sharing experiences, knowledge and coordination for producing capable human capital to the job market.

Years of wars and instability has destroyed Afghanistan's socioeconomic infrastructure, leaving the current and the future of the country vulnerable to foreign aid. Unless the fundamental foundations of this country are built, Afghanistan will not enjoy a firm sustained economic growth. One of the fundamental economic bases for Afghanistan is its human capital. At present, Afghanistan has a limited human capital that is highly educated and/or trained to further develop the country; To attain this goal, there is a need for a strong political support to help improve education standards, provide opportunities for the workers' continuous learning and to provide workers/ employees with supportive structures and environment so that employees reach their full potentials.

Monitoring performance of educational institutions and employees is extremely important to achieve results. Therefore, result-based monitoring intervention should be implemented.

This paper concludes with two valuable remarks by Hyun H. Son who states that "the accumulation of human capital improves labor productivity; facilitates technological innovations; increases returns to capital; and makes growth more sustainable, which, in turn, supports poverty reduction." While there is a correlation between education and economic growth, as Son argues, "Staying in school will not build human capital if the quality of education is very low."

Afghanistan: A Holistic and Sustainable Approach to Improving Women's Access to Economic Markets

By Rahela H. Sidiqi¹

Most women in rural Afghanistan sell eggs, chicken, cattle, sheep, fresh and dry dairy produce, fruit and vegetable. They sell their produce or goods only in local markets because the quality of their products cannot compete with markets outside Afghanistan and are therefore left with no choice. Afghan female producers lack market demand for their produce, including local demand for frequently used clothes and home utensils. Most of them do not have access to information on internal or international markets.² Women in Afghanistan's rural areas live in submissive poverty.³ Generally, women's access to the economic market is only 5% due to the multiple challenges they face.⁴ The five key reasons include

- a. complicated legislation to benefit rural women particularly in terms of business resources ownership;
- b. the piecemeal and less coordinated approach by many organisations;
- c. lack of adequate support mechanisms and enabling environments, and lack of initial capital, land, space, property and access to market information;

1. Rahela Sidiqi is Founder and Strategic Advisor, Rasa Advocacy and Skill Building Agency (RASA) Afghanistan, & and the Founder and Director, of the Farkhunda Trust.

2. "Afghan Women Go to the Global Market." November 2011. <http://tsc-acci.org.af/wp-content/uploads/2012/01/An-Analysis-of-Womens-Participation-in-Trade-and-Business-November-2011.pdf>

3. MISFA annual Report. Report 2014

4. Afghanistan Country Report. Report. BTI 2014.

- d. social norms and living contexts;
- e. inadequate planning and implementation of the 2002 National Democratic Framework and resultant abysmal market adaptation.

However, increasing the number of women in the economy requires five possible actions by all actors and players:

- a. change in the economic legal framework vis-a-vis discrimination;
- b. realistic coordination of donors and other actors in of economic arena;
- c. holistic efforts to increase the numbers of women in the economic market, such as skill building, provision of infrastructure, initial capital for small medium and large business, external partnership etc.;
- d. remedy of ineffective social norms and use of open market system without undermining domestic production;

INTRODUCTION OF POSITIVE DISCRIMINATION PROVISIONS TO THE ECONOMIC LEGAL FRAMEWORK

The introduction of positive discrimination provisions to the legal framework will ensure the obligation of all stakeholders to enforce equal opportunity as one of principles and objectives of their organisations. Two committees need to be established to help progress in this direction. They are: the Technical Committee; and the Lobby Committee.

This is because relevant organizations such as Afghan Women Federation and Afghan Women Chamber of Commerce could not have the technical skills and therefore need these two wings for their capacity building and to further strengthen and create an enabling environment. These two committees could be eliminated after the completion of process of reform within 3 to 5 years. Furthermore, there is a need for continued and thorough assessment of both levels: women institutions and relevant ministerial. That needs long-term observation, analysis and feedback for the effective reform process and appropriate legal framework development.

The Technical Committee would assess and highlight all the gaps within the economic and commercial legal framework that could be amended to include provisions for positive discrimination, in order to develop extended regulations, procedures and policies. The Lobby Committee would comprise Afghan women and men from the legislature, the executive, the judiciary, private sector and civil society. Their task would be to continuously lobby and advocate for change towards the process as the government can establish committees/commissions based on the constitution and dissolve them when its mandate expires. For this to be carried out efficiently, the Lobby Committee and the Technical Committee will require continuous communication and coordination with each other. This would allow the committees to remain aware of how and which part of the change in the process needs to be discussed with whom, based on economic empowerment priorities. Ideally, the Lobby Committee would build trust beforehand with the relevant leaders, which would enable the former to gain the latter's support towards the implementation process. The comprehensiveness of the goals achieved will depend on the extent of the work and effort of both committees. However, in each area of this change process, filling gaps in relevant legislations need action points to be developed as inclusive affirmative action plans. These affirmative action plans could also identify a projection of activities in the work plans of the implementing organisations.

This dual approach is needed because in Afghanistan, changing the law is a lengthy process. However, as outlined above, change in the legal framework (relating to policy and procedures, revision or development) would greatly assist the efforts towards increasing the participation of women in the economy. An example would be a legal obligation requiring all ministries, private sector and civil society organisations to apply a quota system such that at least 30–40% of any recourse will benefit women. This is an important requirement, because none of Afghanistan's lobby processes have so far worked towards getting an allocated gender budget from the country's finance ministry. Observations show that unless there is a legal obligation, government planning for resource allocation for

women would not take place effectively. The poor implementation of the ANDS, MDG, and NAPWA are the obvious examples. Additionally, the Afghan government should ratify the CEDAW optional protocol in order to ensure the rights of disabled women who face violence.⁵

The US government's legal support group for Afghanistan could also be able to work with the central government and the president to give executive powers to the Ministry of Women's Affairs. The ministry could be renamed as the 'Ministry of Women and Children' or as the Ministry of Women and Youth', which would enable them to mobilise more members of the Afghan society to become supporters of women's rights and inclusion. If lobbying begins in the tenure of the present government, change could begin being achieved by 2019, during next government. Therefore, the Technical Committee must review the legal framework relating to the economy and other relevant regulatory frameworks should to identify the margin of positive discrimination that could realistically be introduced and developed. An integrated approach with effective and realistic coordination should be considered by all stakeholders in order to increase women's access to the economic markets. The Technical Committee needs to be established based on theoretical and practical experience and expertise. For establishment of such a committee, highly qualified members with relevant contextual experience, as well as highly qualified Afghan women with community development qualifications and practical experience, would be required.

FROM RHETORIC TO REALISTIC COORDINATION OF ALL STAKEHOLDERS

The Afghan state must become powerful, qualified, and one that is aware of all its national and international obligations before seeking effective and substantial donor involvement; additionally, the state must be in a position to invite all donor communities to potentially offer their resources for support with a realistic understanding of the needs of the country. Sectoral donors could be mobilised to identify their allies at the

5. "Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women." <http://www.ohchr.org/EN/ProfessionalInterest/Pages/OPCEDAW.aspx>.

governmental level, in Afghan civil society, and in the private sector, to map their activities, line of coordination with each stakeholder, and prepare their joint plan to play their part and conduct their process of consultation, action and reflection. These steps could help reduce the degree of duplication of efforts.

Because, unless there is a joint approach among the sectoral donors, line ministries are unaware as to know who does what. Thus, for better coordination in the Afghan context, the donor community requires to build trust in the leadership of those line ministries and work with them rather than for them. It would also be better to view and understand the mission, vision and operational plan of the particular organization and ministry agencies. If the cooperation and level of coordination of donors improve due to this, the level of competitiveness between them would also decrease. Additionally, the division of tasks among the donor community could also contribute towards a fair allocation of financial resources, primarily to Government, SMEs at CBOs/CDCs of National Solidarity program; with more grafting and capacity building and women at the grass roots level; and the allocation should be based on merit-based criteria. Sometimes, even those who are not qualified or do not possess relevant experience and qualifications win bids, taking large shares of the resources that could and has had negative outcomes in terms of actual service delivery. Moreover, such situations impact the citizens, who end up receiving poor quality of services.

Among other issues the donor community could revisit is the low involvement of Afghan women in the decision-making process at all levels, particularly that of Afghan women. The donor community is also among the players who might need to revisit their gender balance efforts in their Afghanistan-related activities - particularly, in the decision-making processes. Women have suffered doubly due to their marginalisation by their male-dominated societies and the comparatively lesser attention of donor communities towards this issue. It would be useful make it mandatory that the government, civil society organisations and private sector entities invest 40% of the total financial (or other) support they provide towards the benefit women. Simultaneously, women need to be

empowered to assume 40% of all the decision-making positions in all entities.

Donor coordination in this regard will be more effective if they consider it their joint decision when they invest financial resources in all the above-mentioned allies and at the proposal writing stage. In this case, it will remain obligatory and therefore could bring positive change. There is also a need for the donor community to engage the Afghan community and women in - this case, from the situation analysis and need identification stages and throughout the implementation and monitoring, evaluation process.

The donor coordination mechanism should be established in a way that measures the active participation of women at decision-making levels. Equal power sharing of women could begin from an equal share of resources at the ground level. 'Women Only' projects provide scope for women to learn on the job and will enable them to be effectively engaged in decision-making processes; this could be possible even in the most conservative regions. The story of this author's 1999 experience working via the UN Habitat with 25,000 women during the Taliban era in the pasta project - first in Mazar-e-Sharif and then in Kabul, Herat, Farah and Kandahar - is the typical example of creating space for women even in conservative environments if one's approach is to stay entirely within their legal boundary.

Women have doubly suffered from the coordination process between the Afghan government leadership and reduced attention of donor communities. This has happened because of the influence of male leaders and them pushing their opinions and decision onto donors. Therefore, women's employment and inclusion should be increased in decision making, as excuses of lack of capacity among women is not practical in the present situation. Particularly, engaging the younger generation in the economic market could have a huge role to play in their decision-making powers and capabilities in the future.

HOLISTIC WAYS TO INCREASE WOMEN'S ACCESS TO THE ECONOMIC MARKET

The economic status of Afghan women has not been assessed and holistically advanced in the last decades. Investment to build Afghan women's small-scale business management capacity too has been invisible, for the same reason⁶. Women's holistic access to all levels of the market from down to top and from all angles are lacking. If one aspect is considered, the rest that would have enabled women to become the realistic partners in the economic market, was inadequate. The Afghan government and donor community are committed to meet MDG5 and reduce gender economic disparities by 2020⁷. Additionally, #35 of the Beijing Declaration and platform of action has indicated the insurance of equal access for women to economic market⁸.

However, many women in Afghanistan lack the skills produce quality product and therefore, there is less demand for women-made product in the national market. This is because their products either do not have wider national and international market or very few consumers may have interest but will want to buy the same for low prices - that sometimes does not even help break even. Their skills of analyzing market demands, or finding the better suppliers all need knowledge and skills of understanding how businesses, small or medium in scale, could be better run and managed. They also lack adequate infrastructure to produce goods and services of high quality or in large numbers. Thus, they face multiple challenges due to the lack of basic infrastructure. Additionally, 'external partnership' is uncommon in Afghan women business owners. Therefore, the need is to work with women from the grassroots level as large numbers of women contribute to the country's economy, and yet do not benefit from their contribution directly.

6. Women's Economic Empowerment 2002-2012.Report. ARU 2013.

7. "About Afghanistan." UNDP. <http://www.af.undp.org/content/afghanistan/en/home/countryinfo/>.

8. "The United Nations Fourth World Conference on Women." UN Women. September 1995. <http://www.un.org/womenwatch/daw/beijing/platform/economy.htm>.

Therefore, the main program in Afghanistan that could have increased women's engagement at the grassroots level is the National Solidarity program (NSP). Although women in the NSP program are representatives in voting and have symbolic signatory authority, their decision-making power is very limited. Therefore, even investments in women's projects by such extensive programs as the NSP is less than 5% in most cases. The NSP has the potential to be an extremely powerful program if there is proper initiatives undertaken to empower women more as the original community development program, "The Community Forum." Prior to the foundation of the NSP, the previous pattern of community development that called community forum were led by women independently at the community level. Women were brought to the leadership positions of the community forum because the presence of women in leading positions at the UN Habitat.

If this approach of women only business begins from home-based businesses at the village levels, the mobilization of men in business parallel to that could be considered separately. That will give space to women to do their work by themselves. These home-based businesswomen can slowly build their network with businesswomen from their villages to support each other during shopping or conducting joint efforts to decrease production costs. For instance, if the business is that of weaving carpets or silk scarves, the dyeing contract of all or some of these businesses could be handed to one person/entity, to decrease their labor and material costs.

Likewise, if women are aware that their produce would not harm each other's marketing position, they will continue for sustainability of their networking. This could be possible at the small village levels as they live in tight knit areas and their male family members are familiar with each and they have shared resources such as land that keeps them together.

This process is one of gradual development and it will take almost two to three decades to upgrade the level and access of women to the economic market. Increasing the involvement of women in economic markets requires their organic and systematic engagement at all levels, particularly in leadership levels, which should not only be considered by

the government but also by all actors involved in the development of Afghanistan. Women-only projects and women-only decision making at the village level is a must to bring them to levels where they become capable enough to negotiate and argue based on their knowledge and understanding of their rights and responsibilities in the society.

To help women's joint business efforts at the village level, the men in the prospective business woman's family could also gain the financial resources to start up their own separate business as an incentive and in the process, support the women members of their families in running their businesses. Gradually, these groups of businesswomen at the village level could extend their network with the similar business owners at district levels, using different channels of communication. Simultaneously, district level female facilitators could provide moral support to them. Rural communities are very hospitable and at the same time very sensitive. Therefore, trust building between villagers and female facilitators is very important.

Women only group networking is another approach to building solidarity and gaining more protection against violence against women from village to national levels. It is also important for businesswomen of different levels to use different means and approaches in building their networks, by using common network systems. For instance, women only *jamaats*⁹, or AWN or Women Political Committee, Women Leaders Solidarity Network facilitated by RASA, wealthy activist women saving collations facilitated by RASA, Businesswomen collation, saffron association, NSP female CDCs engaged in businesses. Building networks could be more effective for businesswomen if a bottom-up method is undertaken, from the village level onwards, and on a rather gradual basis, with sensitivity, careful approach, and the understanding of the social fabric in every context.

Women's computer skills, even in Dari language, via which they can access numerous resources on the internet is vital to the progress of their

9. UNHCR. <http://www.refworld.org/>.

businesses. This could be even for village women who are young and could become literate in a short span of time. This will not only help them with networking and finding resources but also connect them with the global market and global community.

Last but not least, businesses based on local resources could have the potential for success if there is grafting system for women, continuous capacity-building and provision of better environment for the extension of their businesses and to connect village women with larger internal and external markets. New business skills such as filmmaking, selling raw cloth, art, banking, land and property agencies, travel agency, trading, tourism, Agro business, animal husbandry, bakeries, food and fruit processing, healthcare clinics, veterinary clinics, IT and communication etc. All these start-ups will require an acceleration in a nationwide literacy program relevant to the establishment of home-based businesses and a plan of reaching out to over 25000 villages in the span of a decade.

REMEDY TO INEFFECTIVE SOCIAL NORMS AND UNNECESSARY EXCUSES

There are several social norms that impact women's lives negatively and which should be eliminated gradually by analyzing and prioritizing the most harmful ones. The fabric of Afghan society is framed in such a way that social norms have a high degree of influence on women's lives. In most cases, male family members will be proud if the female members of their families take decisions in their favor; and if not, it will make male family members displeased. However, the degree of unhappiness and its impact on the relevant female member of the family will be different, depending on the social boundaries the family prescribes to. These impacts range from unhappiness to violence against the woman/women in question.

Women could identify those social norms that affect them. Once women and men in relevant situations are identified from the different level of the Afghan society, programmes should be arranged to engage these women and men. An example of such programmes would be sponsoring education costs of the girl child or assisting in establishing joint business ventures that benefit women.

For instance, women in rural areas do not work alongside men. Once the male section of the society sees the benefits that women's employment brings to their villages, the former will appreciate it. This could reduce their fears and increase their support.

A case in point is that of a lady named Rubaba of Community Forum District 3 in Mazar-e-Sharif, who was not well known. When Rubaba was elected as the community forum chair, the male community members showed her little respect. Rubaba, through the community forum worked relentlessly with the community's women and youth to draw attention to the benefits of improved sanitation, drought mitigation, and better access to education. Her resourcefulness and commitment to the community brought her admiration from men and women alike. Today Rubaba is a member of the Provincial Shura in Mazar-e-Sharif.

The purpose of sharing this anecdote is to:

- Identify women with natural potential and work towards developing their skills.
- Promote leadership capacity and morality
- Struggle to reduce stereotyping of women as having limited to no capacity.
- Promote mixed gender business relationships in appropriate working environments.
- Replicate success stories and share lessons learned.
- Build women's confidence to believe in their own capacity.
- Provide negotiation/lobby and communication skills of women and facilitate their entry to the monetary market.

CONTROLLED OPEN MARKET TO PREVENT UNDERMINING OF DOMESTIC PRODUCTION

Afghanistan's constitution is the legal base for the emergence of an open market. However, as the government has no intervention and most of the responsibility remains with private sectors. There are no visible successful small, medium or large scale businesses, and those that exist are not organized using the effective professional standards. In fact, even small-scale businesses of the most qualified women failed in the past decade. They were not supported in sustaining their businesses and this could have been one of the reasons for their failures. There is a need for the establishment of an adequate system of control and gradual expansion of the free market; and female-run small-scale business owners can set their feet in the market if a cooperative system of similar businesses is established by intellectual businesswomen.

The free market does not seem to benefit the poor and marginalized groups such as women who lack education, market skills and resources.¹⁰ A majority of loans have benefited those who have access to land and property. Therefore, women remain vulnerable due to inadequate start-up funding, less attention to their capacity building, provision of inadequate space, lack of timely and sufficient loans, lack of promotion of their products and provision of modern equipment and a difficult working environment.¹¹ There is a need for an alternative system for provision for timely and sufficient loans to small scale business owners on priority basis.

An interlink support between small scale and medium scale business must be developed. Likewise, some legal obligations should be instituted as preconditions for large business owners for getting loans, i.e. large business owners should only expand their businesses if similar medium scale businesses could still thrive and benefit from the market. Otherwise

10. Chand, Smriti. "10 Major Problems Faced by the Small Scale Industries of India." <http://www.yourarticelibrary.com/industries/10-major-problems-faced-by-the-small-scale-industries-of-india/23457/>.

11. Portes, Richard. "Currency Wars and the Emerging-market Countries." CEPR's Policy Portal. November 04, 2010. <http://voxeu.org/article/currency-wars-and-emerging-markets>.

the rich will get richer, and the poor and vulnerable sections of the society, such as women, will remain with no access to economic markets. The government should consider tax exemption for the initial three or five years for small and medium business owners, including women.

Import of foreign products should be regulated in a way that imports do not negatively impact local businesses. Perhaps higher taxes could be levied on imported goods to promote local businesses, particularly small businesses.

The experience of African women throughout the process of their economic empowerment could be a lesson to Afghanistan. The Economic Commission for Africa stated that poverty levels have increased by 43% over the past 10 years, with women comprising upwards of 80% of the people living on less than one US dollar per day. Some of the causes of such high poverty levels is the unequal distribution of resources between men and women¹².

Women in Afghanistan who want to enter trade markets or maintain and expand their business also face complex and continuous problems. Gender inequality and child labor are pervasive. Day laborers, salaried workers, employers and self-employed workers are predominantly male, whereas the majority of unpaid family workers are female.

This paper highlighted how Afghan women, particularly rural women's, participation in the economic market could be improved with some remedies. However, there is need for deeper analysis once affirmative action plan is implemented to test the use of improved legal frameworks.

12. Hrtiuleac, Alexandra. The Effects of Colonialism on African Economic Development. Report. Business and Social Sciences, Aarhus University.

RECOMMENDATIONS

- Young school educated women should be encouraged to undertake higher education in economic development studies and leadership. Scholarship through using different means and approach should be considered.
- Provision of grants for rural women to purchase small agricultural land and other resources in her own name and develop her own business.
- Facilitation and capacity building of female business owners for quality production of similar business.
- Build production chain, groups, networking, and joint business of cooperative type.
- Provision of continuous technical support and mentoring for female business owners of different chain of production.
- Women only group networking to get support and learn from each other.
- Exchange visits to be facilitated to other places in the region.
- No tax for new producers for the first two years and discounted tax for new introduced businesses for an additional year.
- Consideration of comprehensive business development package with literacy programs and educational support.
- Building block on exist grassroots program such as National Solidarity Program Female Members Community Development Council.
- Establishment of women business committee at each village level and at district linking with their chains of businesses.

AFGHANISTAN AND ITS CENTRAL ASIAN NEIGHBORS

Opportunities and Challenges to Regional Economic Cooperation in the Decade of Transformation

By

DROPS Research Team

(Part 1 of the 2-Part Series)

In 2001, the ambitious UN-backed international peace-building agenda was launched in Afghanistan in the backdrop of an unprecedented political, security and economic vacuum. The economy in particular had been severely devastated by decades of conflict, drought, mass starvation, famine, and most important of all, economic and political sanctions imposed by the US and UN during the Taliban regime (1996–2001). These conditions, combined with the lack of governance structures, gave way to Afghanistan being recognized as a failed state by 2001. However, since then, both governance and economic structures have begun to rebuild, with the latter slowly recovering with notable progress. The road to state failure is marked by several revealing signposts, the most important being the rapid deterioration of the national economy followed by that of its political institutions.

In Afghanistan, major achievements in this sector took place after international intervention, helping rebuild Afghanistan from a failed to a democratic state. Improvements in economic growth, which

averaged at 11.25% between 2003 and 2011;¹ GDP per capita income raising from USD 119.9 in 2001 to USD 633.6 in 2014;² better public financial management in the allocation of resources, revenue collection, development of tax law, and the re-establishment of financial institutions such as commercial banks and insurance companies that had either been destroyed or did not previously exist, all helped pull Afghanistan out of its failed state status.

Nevertheless, like with all major international peace-building missions, this progress has too been mixed. The influx of billions of dollars of aid and assistance, most of it being spent with no accountability or transparency measures, has created unremitting challenges for Afghanistan. These challenges are becoming more pronounced with the gradual decline of international efforts simultaneous to the gradual increase in the Afghan government's responsibilities. The effects of this transition have already become quite visible and seem daunting.

At present, Afghanistan finds itself struggling with severe dependency on foreign aid, widespread corruption and unfathomable mismanagement of local resources. Additionally, despite the heavy emphasis on regional economic integration – the assumed panacea to all of Afghanistan's economic problems – the country has not been able to forge mutually beneficial economic relations with its neighbors. This holds especially true in the context of Afghanistan's relations with its neighbors in the north – the five Central Asian Republics, namely Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. Without improvements in Afghanistan's economic relations with these central Asian countries, Afghanistan cannot realize its historical role as a regional economic hub and land bridge that can connect South Asia to Europe. This, in turn, will act to obstruct Afghanistan's ability to become self-sufficient in the years ahead.

1. Essential Facts on Economic Performance and Investment in Afghanistan. Report. Research & Statistics Department, Afghanistan Investment Support Agency. March 2012. <http://www.aisa.org.af/Content/Media/Documents/economy-fact-english711201413422838553325325.pdf>.

2. "World Development Indicators – GDP per Capita (current US\$)." World Bank. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

Dependence on foreign aid, and corruption and mismanagement of the country's mineral resources have been the two primary destabilizing factors hindering economic development in Afghanistan. It is important to acknowledge that these two phenomena could have been avoided in Afghanistan if the international community and the Afghan government had done more to regulate and develop infrastructures that could have supported the extraction of mineral resources; use of public-private partnerships to facilitate investment for construction of roads, railways and other infrastructures, and improve institutional capacities. All of this could have put the country on a more stable economic trajectory. The injection of foreign aid infused with unsustainable levels of international spending in all areas from government institutions to civil society have also led to the artificial stimulation of the Afghan economy. This reflected in the large government budget deficit to the tune of 37% of the country's GDP as of 2014.³ Second, widespread corruption in the country is the most significant challenge at the national level.⁴ Corruption has paralyzed the economy, placing Afghanistan as the third most corrupted country in 2015 of 175 countries ranked by Transparency International. Lastly, despite Afghanistan being tremendously endowment with natural resources that have the potential to boost the economy and improve the welfare of the people, the government has not been able to manage its extraction due to lack of infrastructure, capacity, weak institutions and regulations.

2014 marked 14 years of international peace-building process in Afghanistan that many described as the transitional period in which Afghanistan evolved from a failed state to a democratic nation. Now that the country has built the foundations for good governance, security, rule of law, human rights, economic prosperity, education, civil society and free media, it needs to strengthen these pillars and move towards peace and self-reliance in the decade of transformation.

3. "Afghanistan Government Budget 2006-2016." Trading Economics. <http://www.tradingeconomics.com/afghanistan/government-budget>.

4. Sayed Masood Sadat et al., 'Afghanistan in 2015: A Survey of the Afghan People'. The Asia Foundation. 2015. 22-23. <https://asiafoundation.org/resources/pdfs/Afghanistanin2015.pdf>.

However, the stark reality is that the transitions were not successes and has not given the government the drive, confidence and focus needed to allow for the successful shift towards transformation. The security transition, which marked the handover of security responsibility from foreign forces to the Afghan National Security Forces (ANSF) has led to a spike in violence, eroding investor confidence that led to the decline in foreign investments, and ultimately contributing to the growing unemployment rate in the country. Although the political transition in 2014 marked the first peaceful democratic transfer of power in the country's history, it was riddled with electoral fraud and eventually led to the formation of a National Unity Government (NUG) that in essence lacks unity. These outcomes have created an environment filled with uncertainty and anxiety about the future of peace and stability in Afghanistan.

Furthermore, major reductions in aid and donor assistance, which was highlighted in both Bonn (2011) and Tokyo (2012) Conferences, has also began testing the ability of the Afghan economy in becoming self-sufficient. The gradual decline in overall donor support to Afghanistan is now testing the capacity of the economy in developing alternative sources for economic growth. Reliance on the extraction of natural resources, attracting foreign investment and facilitating trade and transit in the region are some of those alternative sources that the Afghan government needs to exploit to stimulate the economy.

In the decade of transformation, the Afghan government with the help of its international partners will aim to achieve self-reliance by focusing on greater private investments and revenue generating sources. A key component of this will be regional economic integration in matters such as trade and transit, connectivity, and cross-border investment. However, in order for Afghanistan to establish a self-sustaining economy in this upcoming decade, it will need to place a great deal of emphasis on two key areas. First is Afghanistan's geographical location that can allow it to serve as a land bridge connecting South Asia to Central Asia and beyond. At the Bonn Conference (2011), the Afghan government and international community underscored this and it was stated that, "We support enhanced trade connectivity along historical trade routes to

utilize Afghanistan's economic potential at the regional level."⁵ Second, the development of the mining industry could help wean Afghanistan off its dependency on foreign aid as the mining sector has the potential to significantly contribute to the country's GDP, and create direct and indirect employment while providing fuel for industry and power generation, materials for industry and construction for both domestic and export markets. Both these areas are mutually reinforcing and have the potential to assist the Afghan government in realizing its economic promises.

Since 2001, regional economies have and can continue to benefit from a more stable Afghanistan that has adopted very liberal economic policies. However, this cooperation has not been consistent with all of Afghanistan's neighbors and has also had varied results for its own economy. In particular, cooperation between Afghanistan and the Central Asian Republics (CARs) has remained weak and this is visible when compared to Afghanistan's trade record with Pakistan, China and Iran. Nonetheless, this gap also presents a unique opportunity for improving economic cooperation between Afghanistan and the CARs, which can help strengthen regional connectivity.

The CARs have contributed to rebuilding Afghanistan's economy in the past decade and notably so in the energy sector. At present, a majority of Afghanistan's main cities are supplied with electricity that is transmitted to lines coming from Turkmenistan, Uzbekistan and Tajikistan. These transmission lines have served as a foundation for building economic cooperation between Afghanistan and the CARs in the energy sector. Key examples of other energy projects include the Turkmenistan, Afghanistan, Pakistan and India Natural Gas Pipeline (TAPI) and the Central Asia - South Asia electricity transmission and trade project (CASA-1000).

Current trade relations between Afghanistan and the five CARs mostly depend on Afghanistan's imports. Refined petroleum, wheat and liquefied natural gas are the major commodities Afghanistan imports from them.

5. "The International Afghanistan Conference in Bonn." Ministry of Foreign Affairs of Japan. December 06, 2011. http://www.mofa.go.jp/announce/announce/2011/12/1206_02.html.

According to the Afghanistan Central Statistic Organization (CSO), in 2015, Uzbekistan was the largest source of imports among all the Central Asian countries, with total imports worth (USD 721 million)⁶, followed by Turkmenistan (USD 464 million)⁷, Kazakhstan (USD 390 million)⁸, Tajikistan (USD 114 million)⁹ and the Kyrgyz Republic (USD18 million).¹⁰ Conversely, Afghanistan's cumulative exports to four of the Central Asian countries stood at USD 26 million, and the goods were mainly vegetables and dry fruits.

Overall, Afghanistan imports considerably more from the CARs than it exports. This means Afghanistan does not have a mutually benefitting bilateral trade relationship with its northern neighbors. For Afghanistan, the stream of informal trade, lack of transparency in custom clearances, lack of infrastructure for transit, and import of products that could be produced at home, further compound its challenges in ensuring mutually benefitting trade relations with the CARs. However, in regional frameworks such as the Special Program for Economies of Central Asia (SPECA), the Regional Economic Cooperation Conference on Afghanistan (RECCA), and the Central Asia Regional Economic Cooperation Program (CAREC), Afghanistan has been given a platform to highlight these concerns and identify opportunities for equal and improved economic cooperation with the CARs. Areas that require evaluation to facilitate this include the existing potential of export/import, current and future status of transit connectivity, trade barriers, and most importantly, what new roles the CARs can play in improving the Afghan economy in Decade of Transformation.

6. "Afghanistan Imports by Country & Commodity." Central Statistics Organization. <http://cso.gov.af/en/page/economy-statistics/6323/annual-trade>. Ibid., pg.69

7. Ibid., pg.69

8. Ibid., pg.33

9. Ibid., pg.56

10. Ibid., pg.14

AFGHANISTAN AND ITS CENTRAL ASIAN NEIGHBORS

(Part 2 of the 2-Part Series)

Regional cooperation is one of the most important pillars and priority areas of foreign policy for the Afghan government. This is reflected in the 2008 Afghanistan National Development Strategy (ANDS), which elaborates the government's key priorities in promoting regional cooperation such as aiming to increase Afghanistan's participation in bilateral, multilateral, and regional initiatives and agreements that promote trade, transit, transportation and investment in the region.¹ Furthermore, in an effort to bring policies to practice, the Afghan government has since 2001, joined several regional organizations and multilateral frameworks. Some of these organizations and multilateral frameworks are the ones that currently support regional cooperation between Afghanistan and Central Asia. Despite the support of regional organizations such as Central Asia Regional Economic Cooperation (CAREC) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) that help Afghanistan and its Central Asian neighbors in the areas of trade, transit and investment, economic linkages between Afghanistan and its northern neighbors remain weak in comparison to Afghanistan's economic relations with its other neighbors.

CAREC is one of the most important regional programs that support economic ties between Afghanistan and its Central Asian neighbors. CAREC was established in 1997, with China, Kazakhstan, Kyrgyzstan and Uzbekistan being the founding members, and has since then expanded its membership to 10 countries to include Afghanistan, Azerbaijan, Mongolia, Pakistan, Tajikistan and Turkmenistan. CAREC is also supported by six multilateral development institutions (Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nation Development Program, and World Bank). Afghanistan joined CAREC

1. Islamic Republic of Afghanistan. Afghanistan National Development Strategy. September 2008. 185. <http://mfa.gov.af/Content/files/Volume%205%20ENG.pdf>

in 2005 and has since been working with other member countries to forge links and partnerships that will restore to the country its traditional place as a crossroads of cultures and commerce.

CAREC has allocated around \$3.34 billion for 29 Projects in Afghanistan. 11 projects, including Afghanistan's first railway line (Hairatan to Mazar-e-sharif); Development of Mini Hydropower Plants in Badakhshan and Bamyan Provinces; the rehabilitation of 140.3-kilometer (km) highway section from Mazar-e-Sharif to Dara-i-Suf; and the 98.9 km Bamian-Yakawlang road, which comprise the North-South Corridor connecting the ring road through central Afghanistan are completed and 18 are ongoing². The objective of these projects is to build transport networks, energy networks and trade facilitation with the aim that these areas help Afghanistan increase regional trade, promote private sector investment, and secure adequate power using electricity generated outside its borders. Economic integration with its CAREC neighbors will enable Afghanistan to maximize the value of its natural resources, build human capacity, create jobs, and pay for services³.

Since 2001, major contributions by Central Asian countries in the rehabilitation in Afghanistan has primarily focused in areas of energy trade, with electricity supply lines from the three Central Asian countries (namely Turkmenistan, Tajikistan and Uzbekistan) playing a huge role in the development of Afghanistan. Currently, an estimated 30% of the population in Afghanistan gets access to electricity through the electricity transmission lines coming from Central Asian countries and this figure stands at 70–75% for residents in Kabul who have access⁴. Other energy projects too are currently underway between Afghanistan and the Central Asian Countries in the areas of electricity generation and supply, which if implemented, could strengthen the existing weak linkages. One of these

2. "CAREC in Afghanistan." Central Asia Regional Economic Cooperation. Accessed June 26, 2016. <http://www.carecprogram.org/index.php?page=afghanistan>

3. "Afghanistan Project List." Central Asia Regional Economic Cooperation. Accessed June 26, 2016. <http://www.carecprogram.org/index.php?page=afghanistan-projects>

4. Afghanistan. United Nation Economic and Social Commission for Asia and Pacific. *Afghanistan and Central Asia: Strengthening Trade and Economic Ties*. March 2015. 36.

key projects includes the electricity transmission system, South Asia and Central Asia 1000 (CASA1000), which will provide electricity for Afghanistan and beyond to Pakistan and South Asian countries that are extremely energy hungry.

With regard to export and import between Afghanistan and the Central Asian countries, recent data shows that Afghanistan imports less from these countries than it exports in return.

Country	Imports 2013	Exports	Imports 2014	Exports	Imports 2015	Exports
Tajikistan	280,750,677 USD	2,757,752 USD	114,571,502 USD	10,940,148 USD	9,153,026 USD	4,700,660 USD
4,700,660 USD	640,772,215 USD	14,371,315 USD	464,764,819 USD	5,608,957 USD	632,412,921 USD	914,547 USD
Uzbekistan	582,598,878 USD	2,429,036 USD	721,912,557 USD	427,095 USD	336,006,193 USD	262,825 USD
Kazakhstan	324,613,844 USD	964,015 USD	390,019,627 USD	9,279,470 USD	426,842,220 USD	10,845,103 USD
Kyrgyzstan	3,767,361 USD	N/A	1,881,259 USD	N/A	2,982,244 USD	N/A

Source: *Central Statistics Organization, Afghanistan*

Afghanistan's trade deficit with its neighbors shows that it is a consuming economic country with very limited domestic production. This is because Afghanistan has not yet built the capacity to produce primary commodities domestically and is as such pushed to import most commodities. Afghanistan has a very small plastic industry that produces finished plastic products such as plastic footwear's, plastic pipes, home products, and some other office equipment, and overall over 100 companies operate in the plastic industry to produce the aforementioned items⁵.

5. Afghanistan Investment Support Agency. Research, Planning & Policy Directorate. The Future of Plastic Industry in Afghanistan. By Ahmad Shah Momin.

Economically, Afghanistan and the Central Asian countries have various similarities in terms of economic growth potential. Central Asia is rich in natural resources, including oil and gas, and has a wide variety of animals and plants, and vast reserves of energy resources. Afghanistan too has the same growth potential but with one contrast and that is that has not yet been able to develop these sectors the way its Central Asian neighbors have. Decades of conflict had destroyed even the most basic physical infrastructure and financial institutions. For example, prior to 2001, the lowest currency printed was the 500 Afs bill because the Afghani had depreciated to such low levels that \$1 was worth 73000 Afghani. Before 2001, political parties, warlords, and foreign powers came up with their own banknotes that were tradable. There was no system or standard that was followed. When the Taliban seized control of Afghanistan in 1996, the Taliban's central bank proclaimed most active Afghan bank notes worthless. The Taliban terminated the contract the previous government had with a Russian firm responsible for printing the Afghanis. The Northern Alliance, however, continued to have notes printed in Russia. These were then sold in the Kabul marketplace at 50% of their value.

This region not only shares a common economic growth potential but also the same economic growth challenges related largely to their geographic location - being land-locked countries. Their geographic location has kept them away from major economic growth markets, and they are also less populated countries that need to engage with larger markets such as in South Asia, which have a high demand for energy.

To a great extent, the Afghan government's approach towards trade is liberal, with minimal restrictions. However, since 2001, there have been arguments about the disadvantages of free market adaptation in the country. A report by the Center for International Private Enterprise said Afghanistan is experiencing economic growth, but that growth does not benefit all citizens.⁶

6. Siegel, Sarah. "Trading in Power: The Politics of "Free" Markets in Afghanistan." CIPE Development Blog. February 15, 2007. Accessed June 28, 2016. <http://www.cipe.org/blog/2007/02/15/trading-in-power-the-politics-of-free-markets-in-afghanistan/#.WCQKctJ97IX>.

At present, government institutions are unable to regulate the economy properly in such a manner that everyone has the opportunity to participate and benefit, and is advantageous only to the wealthy and well-connected. Import bans are maintained only on a few products, largely on religious grounds. For instance, alcoholic beverages, live pig and all pig products, and there are strict restrictions on imports of salt but that is mainly because the government of Afghanistan wishes to protect a state-owned salt mine in Takhar province in northern Afghanistan. There are no seasonal restrictions, quotas, or other non-tariff barriers on imports, which by itself it is a welcoming approach for all regions to engage more with the Afghan market. This is especially welcoming for Central Asian countries since they are in need of big markets like that of Afghanistan's, which has a population that matches that of all Central Asian countries combined. Moreover, with the help of international donors, the Afghan government has brought reforms to business licensing procedures to support private sector development and trade. Reportedly, the import license application process, which prior to 2006 involved 42 steps, 58 signatures, and several weeks of processing, now requires only three steps, six signatures, and two days to process.⁷

Recognizing Afghanistan's heavy reliance on imports, since 2002, international donor programming has placed heavy emphasis on improving and expanding customs facilities and practices at major border crossing points.⁸ This is to mitigate the poorly maintained trade records and to prevent corrupt customs officers from tampering with records at the border crossings. In 2005, the Automated System for Customs Data (ASYCUDA) was implemented; and the five year master plan of the Afghan Customs Department (Ministry of Finance) estimated a total project expenditure of \$202 million for strengthening and expanding the customs system.⁹ The ASYCUDA system is fully operational on main transit corridors such as those with Uzbekistan, Tajikistan,

7. Report. World Bank. Accessed June 26, 2016. http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1137783774207/afghanistan_pfm_chapter4.pdf. p. 36

8. "Afghanistan Customs Reform." Ministry of Finance. Accessed June 28, 2016. <http://mof.gov.af/en/page/421>

9. "ACD Five Year Plan." Afghanistan Customs Department. Accessed June 28, 2016. <http://customs.mof.gov.af/en/page/1026/4623>.

Turkmenistan, Iran and Pakistan and currently, over 95% of international trade, including export, import, inland and international transit across the country are being recorded by ASYCUDA system. This resulted in boosting the annual customs revenue from \$50 million in 2005 to almost \$1 billion in 2013¹⁰.

While there have been improvements in the Afghanistan's customs department, there remain many challenges that continue to impact trade relations between Afghanistan and Central Asia. For instance, incorrect recording of trade data by Afghan customs officials - corruption within the customs system remains the biggest problem for traders - and, there are major basic challenges at customs facilities even at important border points such as a Hairatan, including lack of electricity and generators or lack of fuel for generators, lack of adequate running water and sanitary facilities, low salaries of customs staff and other basic challenges¹¹. Available data on trade flows are incomplete and unreliable due to incorrect recording of trade data. Additionally, Afghan traders face other enormous difficulties such as delays and in-kind bribes at all border crossing points.

Presently, trade linkages between Afghanistan and its northern neighbors remain weak but the potential for strengthening these links remain high, especially via energy projects like CASA 1000 and TAPI. These regional projects can build strong trade and transit relations not only between Afghanistan and the Central Asian countries but also with South Asian countries. Moreover, the establishment of trading houses within these countries with the aim of facilitating trade and providing market information; conducting workshops and conferences; and establishing joint ventures to involve the business communities in cooperation of the competent authorities will boost economic cooperation between Afghanistan and the Central Asian Republics¹². At present, there exists

10. "Afghanistan." Automated System for Customs Data. Accessed July 01, 2016. <https://www.asycuda.org/dispcountry.asp?name=Afghanistan>

11. Parto, Saeed. Overview and Critical Assessment of the Customs System. Report. Afghanistan Public Policy Research Organization. July 2011. 5. http://www.harakat.af/site_files/13623051013.pdf

12. KAZAKH Business Forum Event. "Inauguration of Kazakh Trading House in Kabul." News release, April 2016

a memorandum of understanding between the Afghan government and Kazakhstan for the establishment of a Kazakh trading house in Afghanistan and there Afghan government has promised an establishment of a Turkmenistan trading house in Afghanistan and an Afghanistan trading house in Turkmenistan, in the near future. Trading houses and business for a of Kazakhstan and Turkmenistan have a huge impact on trade integration between Afghanistan and the Central Asian republics and have a potential to create opportunities for further economic cooperation and regional investments that can support and strengthen the currently fragile trade relations in the future.

BOOK REVIEW

Farewell Kabul: From Afghanistan to a More Dangerous World

Author: Christina Lamb

Year: 2015

Publisher: William Collins (first published in 2015)

By Ayesha Al-Hashimi¹

In *Farewell Kabul*, Christina Lamb narrates the times before and after the 9/11 attacks that brought a tremendous stir across the globe. Many countries went to war and suffered through active insurgencies; and in the past 15 years, the US has had the longest war in contemporary history. The Global War on Terror that the US coalition partners and NATO have embarked upon has cost these countries 3484 lives (of troops alone) and approximately \$1 trillion. The civilian cost of this war too has been tremendous, impacts of which are far-reaching.

Farewell Kabul is a personal narration of living through the war by famed journalist Christina Lamb. During the Soviet occupation of Afghanistan and the period after 9/11, Lamb was stationed in Pakistan, Afghanistan, London and Washington; and the first time she travelled through the valleys and mountains of Afghanistan and became familiar with all the stories that led to “Graveyard of Empires,” was in the 1980s. This book tells us how success is turned into defeat, which was considered more of a political failure rather than a military failure.

1. Ayesha Al-Hashimi is the Coordinating Officer for the Afghanistan Network of Women Thinkers and Researchers at DROPS and is currently working as a Grants Officer at Moby Group. She has a Bachelor’s degree in Sociology from the London School of Economics, UK. She has volunteered at Environmental Watch Afghanistan; and has worked as a Fundraising and Communications intern at the Danish Committee for Aid to Afghan Refugees.

Throughout her narration, she uses interesting comparisons of how the country transformed over the time. She writes about the change after 9/11 from the Taliban regime towards normal life as it used to be in earlier days - such as the opening of girls' schools, women shunning the blue shuttle corks *burqas*, satellite dishes back in vogue, and the most magical of all, kite flying. However, as we progress through her book, we realize that the period after 9/11 was not as simple as it initially appeared to be but instead became a very complicated one.

Lamb shares some interesting details, anecdotes and observations throughout her book. In one of her observations, she notes that the Afghan children retained their liveliness and joy despite 20 plus years of war. She writes that the inside stories of Afghanistan after 9/11 attracted a lot more international audience than before. She also writes that the Northern Alliance and Ahmad Shah Massoud had been doubtful and suspicious of al Qaeda and Taliban long before 9/11 took place and they had warned the US-Bush administration about that danger. The US "revenge" war after 9/11 was different from the wars that had insofar been fought in that this time; and no one knew who and where the enemy was.

Lamb mentions that in 2001, during the voting session in the US Congress for the justification of war in Afghanistan, only one of the member, Babara Lee, a Democrat Congresswoman, voted against it saying that it could lead to "open-ended war with neither an exit strategy nor focused target." In this book, most of the narration comes from the author's firsthand experience, direct observations and encounters with different crucial figures. One of these well-known figures is former Afghan President Hamid Karzai, whom she knew back when he was the spokesperson for the smallest of the seven Mujahideen groups, the 'National Liberation Front'. She was a close friend of Karzai. She quotes him in her book as saying, "If you want to understand Afghanistan, you must understand the tribes." Lamb has gathered a number of interesting and astonishing stories from Karzai and his family, and the social circles from across the southern Afghanistan.

Throughout the book, she proves that the whole scenario of the Afghan-American war against the different terrorist groups was not an easy one to comprehend; and on the contrary, it was a rather complex one.

What makes the book interesting is that the author used her journalistic skills very appropriately by visiting common people and crucial figures. Thus, she was able to gather unmediated information about the whole situation through direct and candid conversations and to see the complexity of the scenario. Thus, she could extract some truths about the picture portrayed by key military, intelligence and political figures.

The author also talks about the role of Pakistan and its relationship with the US in its counter attack war after 9/11. For the US, it was not clear as to whose side Pakistan was on; and took some efforts to finally convince Islamabad to support Washington in its mission; and Pakistan had no choice but to cooperate and extend its support to the US with its mission. Thus, for the US, Pakistan had become as crucial as it had been after the 1979 Soviet invasion.

One of the major reasons for the US' failure was that they chased the Taliban and fought them in Afghanistan while they did nothing about the recruiting and training taking place across the borders of Pakistan. Additionally, they did not have intelligence and in many instances, and did not know what was going on in the districts. Besides, the US had spent a lot of money in an inappropriate manner with no filtering. The large amount of money that was spent could have been more useful and effective if governed and allocated properly. Instead, it contributed to further corruption and warlordism.

Regarding recruitment and training of the insurgents, there is a lot of evidence that Pakistan did have a crucial role in this matter. A September 2006 report by Britain's Defense Academy stated that the "ISI has been supporting terrorism and extremism whether in London 7/7 or Afghanistan or Iraq." The report added that the UK/US couldn't begin to turn the tide in Afghanistan until they identify the real enemies. It is not about the guy laying the bomb, but about who is providing material, financing and training. Brigadier General Mick Nicholson had said,

“We westerners tend to look at things in isolation, and thought we were clever because we were playing three-dimensional chess; Pakistanis were playing a ten-dimensional chess, and we were not even showing up or aware of the chessboards they were playing on.” After the killing of bin Laden in the US raid in Pakistan, counter-terrorism expert David Kilcullen said, “I went thinking they (Pakistan) were playing both sides to thinking they were backing the other side to realizing they are the other side.” Lamb writes that Karzai had also told the Americans that “we have to address the places where terrorists get trained or we will keep suffering terrorist attacks all around the world.” He also said that to stop extremism, we need to focus on ending the system that promotes it.

The problem lies in Americans’ plan to construct democracy in Afghanistan, at a time, when no Afghan mentioned democracy or women’s rights. All they wanted was basic needs like security, food and speedy justice. Nobody actually spoke to ordinary Afghans about what they wanted. In fact, generally, the US itself was unclear about its plans. Moreover, when the interim government was formed in December 2001, with Hamid Karzai as the president, thorny issues such as, disarming of warlords was left unresolved and till date it is one of the very unfortunate obstructions to security in the country.

The West had its initial military success through dismantling the Taliban regime in two months. However, veteran diplomat and former Algerian Foreign Minister Lakhdar Brahimi who was the UN Special Envoy for Afghanistan and Chair of the Bonn Conference, later admitted that the deal was reached hastily by people who did not adequately represent all key constituencies in Afghanistan and it ignored some core political issues.

Shedding light on the complexity of the issue, Lamb further states, that it was beyond imagination to think that 19 young Arabs armed with box-cutters had executed the 9/11 attacks. She narrates that it was evident that after those attacks, the US was in a state of hatred towards all Muslims. Even Bush described the US war in the beginning as a “crusade,” albeit he later apologized. Lamb reminded some of Americans who listened to

her that the attacks were not the work of Afghans but Arabs and that there were no Afghans involved in the attacks.

However, when it comes to bin Laden, there are two types of evidences mentioned in the book: one is that the attack plans were approved by bin Laden, describing it as a reaction to the huge criminalities practiced by Israel and the US in Palestine and other Muslim countries and he applauded the attack in his videos. In another instance Lamb says that bin Laden never actually claimed credit for the attacks. The author notes that it was later found that though the hijackers had sworn allegiance to al Qaeda, the attack was plotted by a nightclubbing Pakistani who grew up in Kuwait and whose uncle attempted to carry the same plan in 1993.

The US, given all its counter attacks, missed the main issue and that was tracking down of bin Laden, the man because of whom Afghanistan was invaded. This was counted as the greatest military blunder in the US history. In fact, the US carried out all the attacks to trace bin Laden but it did not pay attention to the open borders Afghanistan shares with its neighboring countries like Pakistan. The caves, tunnels and lawless land played a major role in this failure adds the author. This in turn made the finding of bin Laden more complicated for the Americans and the Afghan security forces than they could have imagined. According to incumbent US Secretary of State John Kerry, this failure had also altered the course of conflict in Afghanistan and the international terrorism of today.

Lamb writes about one of the more important factors that added to the complication of applying the US' peace and democracy mission in Afghanistan. She writes that Afghanistan was ruled by different warlords and famous influential leaders such as Hazrat Ali, Haji Zahir, Mullah Naqibullah, Gul Agha Sherzai, Ismail Khan, General Dostum, Mohammad Atta Noor, General Daud, Mohammad Mohaqeq and Karim Khalili. The areas were divided among these powerful individuals and every area was like a separate kingdom or territory. All this while, there has been a certain absence of logic in trying to boost the authority of the central government on one hand and in convincing local warlords on the other.

The US had underestimated the complexity of their war in Afghanistan like General Barno who at the end of his commandship in Afghanistan in 2005, said “I left Afghanistan fully expecting that this would have a happy ending.” However, fighting between the Taliban and the US reached such a high eventually that one US Sergeant said that in the 22 years of his military career, he had never seen anything like that fight.

Another factor that had been hindering the effectiveness of the international forces had been the confusion of the US’ two parallel operations - Operation Enduring Freedom (OEF) and the ISAF peacekeepers - with their multinational NATO forces. One of the British commanders once complained about multiple-line of reporting. They had different reporting lines up the hierarchy that added to the confusion.

We can gather from this book that the main problems that lead to failing in the war were absence of unity of command; insufficient troop (which, personally, this author disagrees with, because she believes that the numbers of troops would have been sufficient had they been properly managed and with a clear sense of purpose and line of command). The other problems and which the author believes are among the most important and challenging ones and that was regarding who were and were not the Taliban. For instance, Lamb once heard one of the civilians complain to Karzai in his palace that the US bombing killed 17 members of his family when he was away. The Taliban were not present in his area and were 20 kilometers from where he lived. He told Karzai, “I will never forget and forgive the foreign troops.” Civilian casualties and the failure to understand Afghan tribes are one of the major factors which lead to a failure on the US’ side.

Besides, the most frustrating issue was upsetting local people by bringing endless fighting and none of the promised reconstruction. One of the US soldiers criticized the FCO and DFID for not using the initial window of peace to carry out some of the fulfilled promised development. He stated that they were extremely scattered in shallow, meaningless war across northern towns where the only way for the troops to survive was to increase the level of violence, and that due to this more people had been

killed. Lamb mentions that her report from Zumbelay had made it clear that what was taking place was war and not reconstruction.

Marin Strmecki, one of the advisers sent to Afghanistan by the then US Secretary of Defense Donald Rumsfeld wrote in his report highlighting corruption by ineffective governors and incompetent police. One of Karzai's old friends also once said that "the Taliban are not strong. But we are weak." Similarly, General Karl Eikenberry, the former commander of the US forces in Afghanistan has been quoted in this book as stating that "the challenge we face is not of a military nature. The critical task at this stage is strengthening the government of Afghanistan, developing the economy and building the Afghan society." Likewise, the former Prime Minister of UK, Tony Blair, on a visit to Kabul marking five years of the fall of the Taliban, admitted that Western leaders had underestimated the size of the task in Afghanistan. One of the biggest failings of the international community was its failure to create an effective police force.

Meanwhile, the numbers of the Taliban had swelled as moderate elements gravitated towards them because of the war in Iraq, because wedding parties, mosques and children had been killed by NATO forces and due to lack of development that had frustrated the Afghan people. These all factors acted as a justification for people to join the Taliban. Many others joined the Taliban due to lack of security and fear. In fact, every innocent death created ten insurgents. Drone attacks lead to gaining tactical victories but a strategic loss.

Later, trying to handle the issues revolving around the complications of war in Afghanistan, Robert Gates, who had replaced Donald Rumsfeld as Defense Secretary in 2007, told the then Pakistani President General Pervez Musharraf a few steps that needed to be undertaken, such as dismantling insurgents and terrorist camps, shutting down Taliban headquarters in Pakistani cities of Quetta and Peshawar, disrupting certain infiltration routes on the border, etc.

After years of experience, the US army began to change their thoughts about the war in Afghanistan and began to have a less rose-tinted view about the whole scenario. They came to believe that they are not going to

win the war but should look for ways to reduce it to a manageable level of insurgency. They came to understand that if they killed the wrong people, they only were creating more enemies; but they have admitted that it was difficult to completely avoid killing ordinary Afghans. They clearly came to know that the more bombs they dropped in Afghanistan, the worse, matters began to get.

Lamb writes in her book that everything she covered in Afghanistan and Pakistan seemed to be going in the wrong direction. Wars were supposed to have definite ends and identifiable enemies. Instead we now seemed locked in some kind of forever war. As a result, sometime in 2007, a polling commissioned by the US embassy in Kabul showed the number of Afghans who saw the US as partners had fallen from 80% to 60%. The war was not a military one but a political one. Corruption was and is one of the crucial existing factors to be handled. The US war campaign to capture and kill bin Laden, which they succeeded in doing in 2011, did not bring any improvement in the situation of Afghanistan.

Overall, the author describes the US' involvement in Afghanistan as a defeat and Pakistan as a perennial worry and threat to Afghanistan's stability and peace. Lamb is aware that these two countries have never been in a good relationship till date and is thus suspicious of Pakistan's intention and motives. She believes that the world is more complicated and dangerous now than the time before 9/11.

PEER REVIEWERS

Salma Malik is Assistant Professor, Department of Defence and Strategic Studies, Quaid-i-Azam University, Islamabad, Pakistan. She specializes in the areas of War, Military Sociology, South Asian Affairs, Conflict Management & Transformation, Human Security, CBMs & Conventional Disarmament. Previously, she worked as a Research Officer at the Institute of Strategic Studies, Islamabad, Pakistan. She has also been on the Visiting Faculty of the Intelligence Bureau Directorate and has rendered lectures as a guest speaker at the National Defence University, Islamabad; PAF Air War College, Karachi; Naval War College, Lahore; Command & Staff College, Quetta; National University of Sciences and Technology, Islamabad; and Fatima Jinnah Women University, Rawalpindi.

Shahab Enam Khan is Associate Professor, Department of International Relations, Jahangirnagar University, Dhaka, Bangladesh. From 2013 to 2016, he served as the Chairman of the department. He is also a Research Director at the Bangladesh Enterprise Institute, a leading think tank in Bangladesh. He focuses on International Relations, Security and Counter Terrorism, and Public Policy. His research also focuses on economic cooperation between Bangladesh and its neighboring countries such as China, India, Myanmar, and Sri Lanka. Mr. Khan has worked closely with various international financial organizations, development agencies, and the Government of Bangladesh. He has also served in the capacities of Advisor and/or Senior Consultant to the Government of Bangladesh, USAID, International Union for Conservation of Nature (IUCN), International Food and Agricultural Development (IFAD), and Food and Agricultural Organization (FAO). He has drafted several key public policy documents including the National Broadcast Policy 2014.

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EDITORIAL

Editor

Mariam Safi is the Co-Founder and Director, Organization for Policy Research and Development Studies (DROPS), Afghanistan.

As one of the few female researchers in Afghanistan, Ms. Safi has contributed extensively to the field of peace-building, rule of law, counter-insurgency and human security. Since becoming an active member of the think-tank community in Afghanistan in 2010, she has led various in-depth research projects that have provided the first baseline data on some of these topics. She has authored numerous book chapters, journals, policy briefs and articles and has been quoted on various national and international platforms. She is Member, Afghan Policy Group; Columnist, Institute of Peace and Conflict Studies, New Delhi; Senior Research Fellow, Institute of National Security Studies, Sri Lanka; Resource Person, Lakshman Kadirgamar Institute for International Relations and Strategic Studies, Sri Lanka; and Peace-building Expert, Peace Direct, UK. Her contribution to the field was recognized by the Diplomatic Courier, which listed her as one of the 100 Top Global Women in 2014. Prior to this, she served in various capacities, including as Deputy Director, Centre for Conflict and Peace Studies, Afghanistan.

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8. AFGHANISTAN: A HOLISTIC AND SUSTAINABLE APPROACH TO IMPROVING WOMEN'S ACCESS TO ECONOMIC MARKETS

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9. BOOK REVIEW: FAREWELL KABUL BY CHRISTINA LAMB

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About DROPS

ORGANIZATION FOR POLICY RESEARCH AND DEVELOPMENT STUDIES (DROPS) IS A WOMEN-LED, INDEPENDENT AND MULTIDISCIPLINARY POLICY-ORIENTED RESEARCH ORGANIZATION BASED IN KABUL, AFGHANISTAN, ESTABLISHED IN 2012 BY MARIAM SAFI (A RESEARCHER AND ANALYST) AND NAHEED FARID (MEMBER OF PARLIAMENT). THE SYNERGY OF BOTH MEMBERS REFLECTS THE ORGANIZATION'S ULTIMATE GOAL OF HARNESSING THE EFFORTS OF WOMEN TO BRIDGE THE RESEARCH AND POLICY NEXUS IN AFGHANISTAN.

THE EXISTENCE OF EFFECTIVE POLICY-ORIENTED RESEARCH INSTITUTES IS VITAL IN ADVANCING AND SHAPING THE GOVERNANCE AGENDA IN POST-CONFLICT COUNTRIES. THEREFORE, AT DROPS WE ARE COMMITTED TO STRENGTHENING DEMOCRATIC IDEAS AND VALUES IN AFGHANISTAN BY (1) CONDUCTING RESEARCH THAT PROVIDES POLICYMAKERS WITH SOUND ALTERNATIVE SOLUTIONS TO NATIONAL ISSUES, AND (2) INCREASING WOMEN'S INVOLVEMENT IN POLICY DIALOGUE AND RESEARCH ON A DIVERSITY OF ISSUES THAT ARE AT PLAY IN BUILDING DEMOCRATIC GOVERNANCE.

AT DROPS, OUR CORE BELIEFS ARE: "WHAT WE FIND CHANGES WHO WE BECOME; INNOVATION THROUGH RESEARCH; UNDERSTANDING TODAY FOR A BETTER TOMORROW." IN ORDER TO ENABLE THIS MISSION, WE PRODUCE PUBLIC-DRIVEN RESEARCH AND POLICY BRIEFS, WE PUBLISH AN ANNUAL WOMEN AND PUBLIC POLICY JOURNAL, WE FOCUS ON BUILDING LOCAL CAPACITIES THROUGH OUR RESEARCH METHODOLOGY AND GENDER-LENS TRAINING PROGRAM AND WE ADVOCATE OUR RESEARCH FINDINGS THROUGH OUR AFGHANISTAN NETWORK OF WOMEN THINKERS AND RESEARCHERS.

WE ARE COMMITTED TO PROMOTING DEMOCRATIC VALUES IN CONGRUENCE WITH LOCAL CULTURAL SENSIBILITIES SO THAT WE CAN BUILD A ROAD MAP FOR AFGHANISTAN'S YOUNG EMERGING DEMOCRACY.



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