

From the Office of the Special Inspector General for Afghanistan Reconstruction

Transcript for: Operation Oversight – Episode 3: Economic Development in Afghanistan

Description: Hear about the latest update on Afghanistan's economic development.

Related SIGAR Work: July 30, 2018 Quarterly Report to Congress

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[Phil LaVelle] Hi, this is Phil LaVelle from the SIGAR Office of Public Affairs. Welcome to our podcast. Today we're going to discuss economic development in Afghanistan. We're here with Dan Fisher, who's an economic and social development subject matter expert. Welcome Dan.

[Dan Fisher] Thanks for having me.

[Phil LaVelle] Thanks for joining us. When Afghanistan makes the news, it's unfortunately, often times, a story of violence, war, and terrorism. The security situation in Afghanistan is critical, of course, but there are other stories that are important that say a lot about the state of the country and its prospects for future success and economic development is one of those stories. Dan, could you start by giving us a picture of where Afghanistan's economy is today after 17 years of U.S. involvement?

[Dan Fisher] Taking us back to 2001, there was initially quite a bit of hope for the Afghan economy and what we saw over the first decade of reconstruction was a pretty encouraging economic growth rate, so it was about 9.3% real growth over the course of about a decade. However, since the 2014 transition what we've observed is, generally, fairly sluggish economic growth. So, we're talking about, right now, a growth rate of probably about 2.5%, something like that which is pretty low, starting from a low base.

[Phil LaVelle] Transition, you mean the drawdown of U.S. and coalition forces?

[Dan Fisher] Transfer of authority, drawdown of international coalition forces, which I think created a shock to the Afghan economy, a shock to demand specifically, which obviously the results of that we're seeing now.

[Phil LaVelle] What are some of the key issues and events in Afghanistan's economic development right now?

[Dan Fisher] The economic situation is always lurking in the background as this question of how does Afghanistan grow its economy in a way that allows it to, for example, pay for the war and run the government. I mean, bullets and guns costs money. Helicopters cost money. Retaking provincial capitals costs money. There's a lot of sudden narratives that are going on in the background. One of which, right now, is a fairly severe drought that's affecting about two-thirds of the country. So, you're seeing an approximately 70% rainfall deficit which is

affecting rain-fed crops and will likely put about two million people into fairly severe food insecurity in the next few months, according to the UN.

[Phil LaVelle] In our last podcast, we explored an area where, unfortunately, Afghanistan leads the world and that's the illegal opium trade. But what about its legitimate economy, what are the key pieces of the Afghan economy? What does it produce and what does it export?

[Dan Fisher] Just to put the opium picture in perspective, for 2017 opium was probably about 20 to 30% of GDP. Whereas, in contrast, licit agriculture was about one-fifth of GDP, approximately 18%. And so, agriculture is a huge component of the Afghan economy. Depending on whether it's a good year, it can be one of the major drivers of economic growth and, of course, the big piece with agriculture is that it simply employs a whole lot of people. So, the majority of the rural Afghan population is involved in agriculture and overall, over 60% of Afghans are deriving income from agriculture in some way, shape, or form. So that's one piece of it.

You've got a little bit of light industry, manufacturing concentrated in agricultural processing, for example. And then more than half of the economy is actually services, so you're talking about things like telecommunications, but you're also talking about retail and trade.

[Phil LaVelle] To wrap up, Afghanistan faces some huge challenges but there are some glimmers of hope. What is the path forward?

[Dan Fisher] One of the first pieces is to recognize that a few years ago there was this idea that we could spend money and pursue development and that that would directly produce stability or security outcomes. And I think that there's a growing consensus these days that the causal chain works in the opposite direction and so, I think the first piece of it is you probably have to have security in place if you're going to pursue development. I think that's a very important thing to keep in mind. And then I think the last piece of it is, again, where possible, from the perspective of international donors, create certainty. And what I think that could mean, for example, is having a clear policy on Afghanistan. What it could mean is having sort of a clear idea and communication of how much money we're going to be spending or committing moving forward because at the end of the day, there's a lot that we can't control. And I think one of the most important pieces here is controlling what we can.

[Phil LaVelle] Why should Americans care?

[Dan Fisher] You're a taxpayer, I'm a taxpayer and I think from a taxpayer perspective you want your money to be spent wisely, particularly, if it is being spent in a foreign country in an expeditionary environment. And I think that when we're talking about the Afghan economy, we start off the conversation with the idea that were economic growth to be higher, theoretically, the government would be in a better position to pay for itself. And I think that ultimately that's probably the best reason why folks should care as a taxpayer is that by developing the economy, in the long run, the idea is that we wean Afghanistan off of donor and, hence, taxpayer support.

[Phil LaVelle] Thanks Dan, great having you here. We appreciate it. If any of our listeners would like to learn more, go to our website: sigar.mil, S-I-G-A-R dot M-I-L, click on

the latest Quarterly Report, and there's an entire chapter on this topic. That's our podcast for today, thanks for listening, and we'll catch you next time.

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