



Original Article

Progress with Afghanistan extractive industries: Will the country know resource success or failure evermore?



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ABSTRACT

Extractive industries (EI) in Afghanistan have never been a major economic force in a country where the state owned all mineral rights and operated all mines. Reorganized now into the ministries which will ostensibly facilitate the EI so that domestic and international companies can submit bids to tender offers, the factors for desired success with the new EI include robust plans for sustainable development and resource corridors. Contentious mining law in Afghanistan has been seriously revised several times in the past decade, with the principles of EI transparency initiatives being variously weighted as Afghanistan is a candidate for admission to the Extractive Industries Transparency Initiative (EITI) group of nations. Recent revised mining law has been touted as being friendly to foreign companies, as well as to mining mafias and armed gangs rather than the protection of local people and the environment, although the intent to use the EI to support governmental revenues is paramount. The new government of Ashraf Ghani has an opportunity to either oversee the rise of a viable set of EI processes in the country, or the failure of a perhaps flawed endeavor.

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1. Introduction

Afghanistan, as most people well understand, is a place where the dreams of many have gone aground. Graveyard of empires (Jones, 2009), home of *baksheesh* (bribery) practically personified, Afghanistan seemingly has a number of built-in mechanisms to frustrate and bring to ruin many of the advanced development ideas proposed by outsiders to drag the country up out of its millenia of lethargy, corruption, violence, and status as a failed state. Recognition of the rich resource base in the country (Abdullah et al., 1980; Ali and Shroder, 2011; Shareq et al., 1977; Shroder, 1983, 1989, 2007, 2012, 2014; Shroder and Watrel, 1992; Shroder and Tawab Assifi, 1987) has been around for a very long time (Drummond, 1841), and has been viewed by many as the last great hope of the nation: a literal gold mine in the ground for the taking to provide the finances for getting on with development and betterment of the people of the country. Whether or not the extractive industries (EI) can make this happen in Afghanistan or not is viewed by some people with considerable skepticism, mainly because of such a long history of other failures (DeYoung, 2011; Byrd and Noorani, 2014; Flint, 2014). It is the purpose of this paper

to investigate progress toward the desired well-run, carefully controlled, and environmentally benign EI in Afghanistan, and to see what that might entail. In addition I seek to investigate progress toward such goals in the face of so much violence and instability being delivered to the beleaguered nation. Such ferocity is produced by those mainly in the thrall of an imagined glorious religious future, when in fact the illiterate gunmen are largely deluded into working for neighboring countries such as Pakistan and Iran, with apparent colonialist ambitions and desiring some of the resource riches for themselves (Jones, 2009; Chandrasekaran, 2012, 2013; Smith et al., 2013). Still, the tragedy of unending bellicosity in Afghanistan and the associated pessimism about it tends to obscure the fact that beneath the many levels of violence and administrative problems, the EI in Afghanistan do offer some possible solutions to chronic unemployment, under employment, and underdevelopment. Certainly the increasingly better educated youth of the country, whom I have talked to repeatedly over the past decade, hope desperately for success with the EI ventures so that they and their families can begin to live decent lives; this paper investigates a few of the recent developments in helping the EI to achieve some success in Afghanistan.

The conference on Afghanistan in London in December 2014 co-sponsored by the Governments of the UK and of Afghanistan in the face of the withdrawal of the Western troops was a telling time in the sense that the external world was called upon to strongly

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Table 1

Support programs for Afghanistan in its forthcoming transformation decade to be provided by the UK Government (UKG) (Chonghaile, 2014; Greening, 2014). Note the third bullet that recognizes the great importance of the EI sector to producing all the revenues necessary to accomplish the transformational job.

- Boost employment, especially agriculture, to create >13,400 jobs, with at least 3200 for women
- Strengthen infrastructure to ensure
 - 90% of population can access roads
 - 50% of population can access electric grid by 2017
- Support economic growth with
 - national materials laboratory
 - mineral promotion services to bolster EI
 - technical expertise to increase tax & revenue collection
- Prioritize support for Afghanistan National Action Plan on Women, Peace and Security
- Improve access to schools and more pupils attending schools, including girls
- Create access to health services, with
 - 58% of births attended by skilled attendants
 - 86% of health facilities with at least 1 female health worker by 2018
- Support emergency health and nutrition programs for >440,000 people/year

support and share the responsibility for Afghanistan to become a secure and stable nation (Chonghaile, 2014; Greening, 2014). Some 59 countries reaffirmed their commitment to provide such support. British foreign secretary, Philip Hammond, anticipated that wholesale political, social, and economic change in Afghanistan would happen over the next transformational decade, and that the shared responsibility among the 59 nations was essential (Table 1).

2. Afghanistan futures planning in the mineral scenario

Predicting the future of any particular place is obviously a fraught exercise; for a place as complex as Afghanistan, it may not be possible, although many of us do try (Shroder, 2014). In neighboring Pakistan, for example, some of the advisors to the government with whom I am in frequent contact have tried to make a robust and sincere predictive effort about the Afghanistan minerals scenario, albeit with a religiously conservative but reasonably benign outlook.¹

Sheraz's observations (Fig. 1) of all the dramatic shifting positions in Afghanistan and uncertainty about how things might ultimately turn out have suggested to him a number of possibilities based on past history and the likelihood for future developments. In the ideal situation with the natural resource development that is preferred by many in the intelligentsias on both sides of the border and shown in his Fig. 1, in item #1, for example, regional peace and prosperity could occur only with political stability and reasonable socio-economic development. That is obviously a sensible and desired outcome. But three other possibilities exist as well, that also have a certain probability, given likely but unfortunate political developments. Thus in Fig. 1, the #2 scenario posits the renewal of a kind of neo-Great Game that could occur in which proxy war and civil unrest continue, along with an influx of refugee immigrants, even more drugs, and sexually transmitted diseases (presumably because of the common cultural pederasty [*bacha bazi* or "boy play"; see Shroder, 2014; Sites, 2014] and unchecked HIV infection rates) that already abound in both Afghanistan and Pakistan. Additionally, in Fig. 1, the #3 scenario notes that unrealistic expectations are likely to continue to occur, along with the rise of oligarchies and multinational corporations running things far too much, as well as environmental degradation and increased social unrest.

Similarly, in scenario #4 in Fig. 1, Afghanistan settles into a continuously uneasy co-existence with its neighboring countries, with a continued contested government subject to ongoing skirmishes and unrest, as has been underway for some time already. In other words, the rather dysfunctional *status quo* would continue. Thus Sheraz has reason to feel that elements of all these scenario choices are the most likely future; and with his viewpoints, I must reluctantly concur, although strong new control and skillful management of the EI by the new government of Ashraf Ghani might ultimately move things more toward the first scenario #1 of regional peace and prosperity. In the event that this more favorable outcome does actually occur, the situations outlined below are some of the means by which this might be accomplished.

3. Factors of success with the EI in Afghanistan

In any ambitious set of ideas to begin an assiduous new effort at resource extraction in a country trying to recover from decades of civil war, and having many different motivational triggers for violence, the possibilities for success are subject to many potential diversions. Although the opportunities for projects to go aground may involve intractable issues related to the resource curse, resources war, rentier states, enclave developments when all else is left a mess, the "Dutch disease" of enhanced revenues leading to nasty trade imbalances, all of these factors may bring more difficulties for Afghanistan (Shroder, 2014). In spite of these potential problems, however, the push is on in the country to see that the place gets as much of a head start in developing the resources as it can, especially before the Damoclean sword of Western-troop withdrawal hanging over the Government of Afghanistan (GoA) takes too much effect. The Taliban spoilers indeed do hover at the edges just waiting for a chance to unleash their brand of mayhem and ignorance.

With the assumption to presidential power in 2014 by Ashraf Ghani, a former official of the World Bank, new pressures have emerged in the country to bring things up to a more technocratic and competent level of bureaucratic management (Ghani and Lockhart, 2009), especially in dealing with the resource cornucopia. Whether the new president will succeed at this or not in the face of so much prior mismanagement over the years is quite uncertain at this point in time. Some people who know him favorably have even expressed fears that the pressure under which he keeps himself and his staff in the face of the famous obfuscation and lethargy of the traditional GoA bureaucracy could even lead to his ill-health, which would be yet another lurking hazard to the good performance and success of the country on which so many have recently pinned their hopes. His recent firing of all the top government ministers and apparent inability to establish a competent and non-corrupt, new government only adds to the uncertainty (Goldstein, 2014; AP, 2014), however.

In the milieu of planning at the national level for the future of the EI in Afghanistan, however, the possibilities of EI success in the face of a looming threat from a resurgent Taliban indicate the need for an abundance of caution, while still moving forward with plans for eventual good fortune as the resources come on stream and revenues from the sales are realized to help support the GoA. Thus the World Bank has taken strong note of the plans for the development of natural resources in Afghanistan in several of their most important concept areas under consideration: (1) Afghanistan: Sustainable Development of Natural Resources; and (2) the Afghanistan Resource Corridors Project (P145443) (ARCP). Central to the plans are the Afghanistan Reconstruction Trust Fund (ARTF), which is a World Bank-managed, multi-donor trust fund established in 2002. As of May

¹ Personal communication with Senior Policy Analyst, COMSTTECH Secretariat in Islamabad, Umar Sheraz, 16/7/2013 and 29/6/2014. See also www.elsevier.com/connect/is-there-a-future-for-afghanistan-in-natural-resources (accessed 30.12.14).

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