

PRACTICE NOTE

Capturing the Elusive Formula Against Afghanistan's Drug Economy Through Integration

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This paper argues that illicit revenues from drug cultivation distort Afghanistan's overall health, peace, politics, security and development. An argument is made for a comprehensive approach to replace the separate efforts of government agencies, international aid providers, and even neighbouring states to address this. This approach would tackle quality-of-life problems that trigger narcotic crimes in the first place.

Introduction

The 2014 transition for Afghanistan, involving the handover of security responsibilities from international forces to the Afghan government, is replete with political, economic and security uncertainties. The record-breaking production of opium in 2013 has reinforced the impressions that counter narcotics policies in the last decade have been misguided, forcing key actors in Afghanistan back to the drawing board.

One of the biggest fears in 2014 is that the decrease in international assistance to Afghanistan will lead to a crowding out of the licit economy and increased focus on illicit drug production/trade and rent-seeking activities. In conjunction with Afghanistan's formidable poverty reduction, job creation, and service delivery challenges, this illicit economy has the potential to derail stability and security in Afghanistan, the region and beyond.

While Afghanistan's future as a potential criminal and narco-state cannot be easily dismissed, it need not be inevitable. The dogma applied over the last decade, of considering criminality as an externality to the security and development agendas, proved ineffectual. Only by carefully installing an anti-crime agenda within a long-term development, peace and security approach, can Afghanistan emerge as a stable and economically sustainable democracy.

Afghanistan's illicit economy

Drug cultivation and production trends in Afghanistan have followed a rather unexpected path over the last decade despite the presence of the international community and its efforts to restore governance. Drug cultivation dropped dramatically in 2001 due to a Taliban edict forbidding cultivation from 2002 onwards. After the fall of the Taliban regime, cultivation began increasing, driven by a spectacular price escalation until cultivation reached its first peak in 2007. By then, production was well beyond the global demand and prices corrected themselves

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leading to decreasing cultivation for the next two years. For many, it seemed that the situation was finally coming under control.

Yet the economics of the illicit economy were misunderstood. Contrary to popular perceptions, it wasn't the balance between domestic supply and global demand dominating the Afghan opium price fluctuations, but instead was domestic speculation. 2010 was to repeat the lesson.

The 2010 announcement that the international presence in Afghanistan would be phased out – a transition to be finalized in 2014 – combined with the military surge in the South (where most of the opium is grown) and an opium blight, drastically altered the situation. This resulted in a renewed domestic boom of opium prices at the farmer level; many farmers speculated and hedged against future uncertainty regarding the fate of their country. Any gains made since 2007 were immediately erased by three consecutive years of growth. By 2013, a new and historic peak of opium crop was recorded.

Many reasons exist for the marginal understanding shown towards this damaging turnaround and the resistance by national and international stakeholders active in Afghanistan to effectively tackle crime. One of the main reasons was an aversion by national and international actors to tackling crime – it was seen as counter-productive to the counter-terrorism agenda. In military circles the narco-profits were only imperative insofar as they fuelled terrorism or were directly linked to the Taliban insurgency. Such reductionism overlooked the reality that the opium business impacted governance among the Kabul government and its allies even more, through patronage, criminality and corruption, thereby weakening resistance and legitimacy against the insurgency. Another reason was that the large financial inflows outside the Afghan budget and fragmented aid in a situation of weak governance had themselves been major sources of rent, patronage and political power. In this receptive environment, the illicit economy readily

compensated when the external financial flows dwindled.

Finally, the variety of counter narcotics interventions initiated over the last decade were rolled out in isolation and sometimes even in direct contradiction with the goals set out by the security actors and development agents. Just as the UN Office on Drugs and Crime invented the concept of the 'opium farmer,' the Food and Agriculture Organization of the UN avoided including opium in its agricultural strategy. The Afghan farmer thus became an abstract split personality, a Dr. Jekyll and Mr. Hyde, as if his decisions to plant wheat, garlic, opium, onions and pomegranates were never integrated in an approach based on opportunity, land, markets, size of the extended family, etc.

The end result of this silo-approach is that Afghanistan's drug economy now generates billions of dollars annually. The money trail creates a thriving illegal economy orchestrated by complex informal and formal organized criminal networks of supplier rings, wholesalers, financiers, protectors and patrons. A joint World Bank/UNODC study on the Afghan Opium Economy made a number of important observations in 2006, even more valid today. Opium, already seen then as critical to the rural economy, continues to influence employment, land use and access to credit; in the process, drug money becomes a major part of the informal financial transfer system (Hawala/Hundi); whilst poor governance and lack of rule of law exacerbates the problem by providing myriad opportunities for corruption.

Perversely, the illicit economy also entertains positives such as appeasing a fragmented political field and powerbrokers by ensuring a continued flow of capital within the political economy at a time when licit funding is harder to come by after a decade of abundant external money flows. It is no coincidence that record high opium production was recorded at the onset of the presidential election campaign in 2014. Another advantage relates to employment opportunities

as the opium economy is estimated to provide 73 million labour hours/per annum, at a time where there are annually about 400,000 new individuals entering the job market. While the negatives easily outweigh the positives, these circumstances will need to be considered when devising solutions.

Maintaining the status quo is not an option. The fragmented illicit economy is exclusive, causing economic poverty and social marginalization that result in human rights abuses, undermines competition and investment while eating away at national resources.

Integrated approaches

While future prospects look dim, 'post-2014' also offers opportunities. Firstly, Afghanistan has been the theatre of a plethora of varied counter narcotics interventions over the last decade and even outright experimental thinking. Among the sources of lessons learned was the legalization debate; initially that alternative found many proponents in media and among politicians, but close examination of this option deemed legalization to be unrealistic. Another approach that was discredited was the purchase of crops: it resulted in only more cultivation. Secondly, the political economy, with its elite actors addicted to high transaction prices is likely to cool down after the cabinet reshuffling and the parliamentary elections set for 2015 due to the decline in international aid flows post-Transition. While potentially destabilizing, this could provide an opportunity for actors to negotiate an open order that is less reliant on disproportionate rent-seeking and patronage. Also, the unrealistic opium prices, not defined by demand but by domestic speculation, are expected to decline when the bubble bursts. Thirdly, less external funding implies the need for better coordination and less contradicting agendas. That situation makes soft or hard conditionality for increased governance easier to negotiate – with the assumption that a minimum threshold of aid being provided is sufficient to influence the domestic economic debate.

The above elements provide an environment to integrate counter narcotics within other agendas — in a tangible and concrete manner. The ideal approach for Afghanistan starts from the acknowledgement of the poverty and development link, which provides a push factor for a farmer to cultivate drugs. Even so, dealing with vulnerability only is insufficient. Not all poor farmers cultivate opium. The governance ecosystem and values towards corruption and other criminality, play significant roles within this 'agenda of opportunity' for farmers. While little can be done to influence the laws of nature and climate, it is crucial to note the ease of access to illicit markets and the perceived impunity of all levels of those involved in the advancement of drugs. Finally, understanding the political economy is essential when building a sustainable long-term solution, which will not destabilize the country or parts of it. A process focusing on gradually raising the risk environment as a whole will have to prevail over the unrealistic aim to convict each and all.

In truth, only few other countries have benefitted from such integration. It is estimated that the US spent about triple the budget on counter narcotics in Afghanistan compared to Colombia, but with a very different result. Certainly, significant divergences do exist between the two countries, if not the least being that Colombia is a middle-income country whereas Afghanistan falls within the least developed category, necessitating more capital investment in the latter compared to the need to build up capacity in the former. Along the same lines and beginning in 2003, the proportion of the narco-business within GDP never reached double digit figures in Colombia whereas in Afghanistan it did. Thus, macro variables in Colombia and Afghanistan are profoundly different, hence a comparison demands prudence.

Yet, the absence of political will and the failure to mobilize the security and development sectors in Afghanistan stand in strong contrast to Colombia. This dynamic places the bulk of the efforts in Afghanistan on the

shoulders of a few institutions such as the Ministry of Counter Narcotics or the Counter Narcotic Police of Afghanistan, allowing the problem to spread through the political nerves and economic bones of the country.

The mainstreamed integration prescription may sound self-evident but regretfully has not yet been applied in Afghanistan – as illustrated by each of the recent international conferences and Transition plans neglecting the issue altogether or limiting reference to a toothless footnote. Opium production and trafficking must be dis-incentivized simultaneously through rule of law and interdiction efforts as well as interventions to address 'quality of life' through social contracts. Government agencies and ministries require joint national plans that go beyond standard 'demand-reduction' and 'supply-reduction' formulations towards explicit linkages with education, health and governance issues. International aid providers need to similarly consider mirroring these national plans in their own strategic approaches. For all actors, indicators to monitor progress on counter narcotics in a holistic manner need to be devised and reported against to ensure accountability and focus.

Partnerships

Counter narcotics interventions such as alternative development have a significant role to play in the future of Afghanistan. The impact of such efforts will largely depend on how third partners effectively engage by broadening the platform, maximizing operational outcomes and by tackling the root causes in which the problem festers.

Opium income provides coping mechanisms for the farmer communities at a time where macro-economic prospects and employment opportunities are limited. However, if aid focuses on community outreach and upgrading 'quality of life' areas such as access to education, irrigation, local markets, health, etc., farmer communities need less income for the same quality of life. It is an immense lost opportunity that the main community programme in Afghanistan, the

National Solidarity Programme (NSP), does not tangibly link the provision of its aid to a phasing-out of the opium cultivation (the 'social contract' concept). The two agendas need to connect.

The work currently undertaken within the UN family in Afghanistan may demonstrate a break with the past policies of seclusion. The Kabul Bank embezzlement, difficulties with passing legislation on anti-money laundering and mining, declining government revenue, high levels of corruption and problems of accountability, motivated the UN Country Team to target its UN Development Assistance Framework (UNDAF) towards tackling the illicit economy and related governance issues. Needless to say, much will depend on how and if the UNDAF is to be translated into concrete operational action.

Partnering within the wider region is another often overlooked necessity. The drug challenge is not merely a national one but impacts the West and Central Asia region. Afghanistan's neighbors are at the crossroads of having to decide if their interests are best served by constructively engaging towards Afghan stability and unity or, instead, hedging their bets by supporting powerbrokers and thus keeping conflict away from their respective borders. Since a potentially criminal Afghan state is a risky and thus certainly not a preferred scenario, doors may be open for better cooperation as indicated by the sharp increase in the number and type of regional coordination/cooperation events in the recent years.

Conclusions

In sum, it is not impossible to imagine Afghanistan within two decades emerging from a post-conflict/fragile state to a stable democracy with a strongly reduced illicit economy. To achieve this, breaking with the past dogma of segmentation is essential. The separate approaches of the past may have resulted in a few tactical gains – for instance, strengthened counter narcotic institutions – but they proved largely insufficient to address the record numbers of cultivation,

addiction and the grip of illicit financial flows on political and daily life.

Organized crime needs to be tackled by a triangulation of the peace, security and development perspectives so as to address the myriad reasons driving the country towards illegality. The methodology is operationally within reach. Yet, it will be crucial to rally the political will, domestically, regionally and from the donors' viewpoint, to embrace the new architecture of integration, including concrete benchmarks and indicators within the development and security agendas.

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