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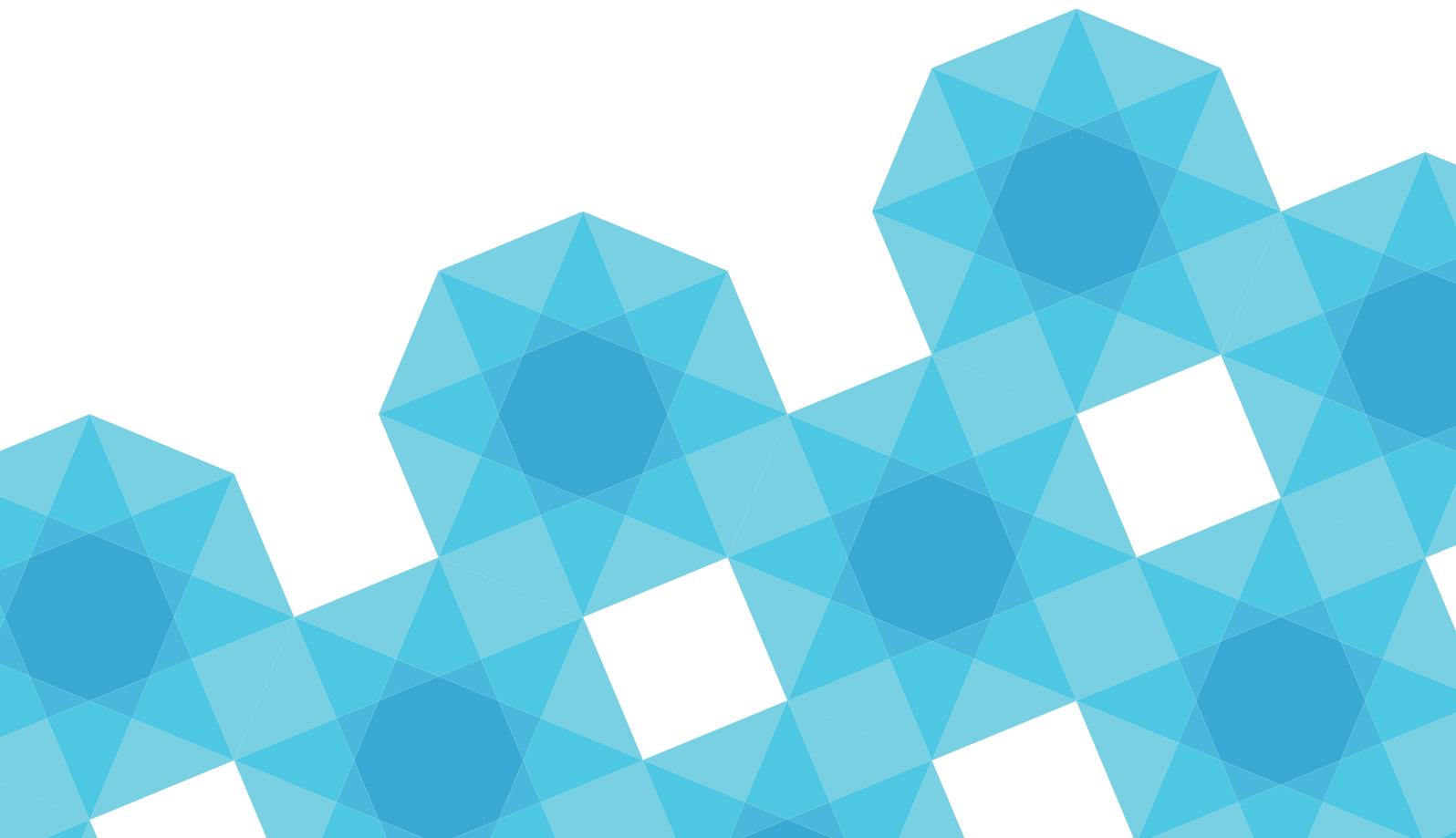
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# **The Cost of Support to Afghanistan:** Considering inequality, poverty and lack of democracy through the ‘rentier state’ lens

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# 1. INTRODUCTION

In 2001, the Bonn Agreement produced a blueprint for a new, post-Taleban Afghanistan that would have a “broad-based, gender-sensitive, multi-ethnic and fully representative government.”<sup>1</sup> The 2004 constitution fleshed this out with its vision of Afghanistan as a democracy with centralised decision-making, strong institutions and checks and balances.<sup>2</sup>

Also in 2001, the United States decided to fund Afghan forces to topple the Taleban. Along with other countries, it followed this up with the deployment of troops and large amounts of aid. International aid and spending by foreign armies quickly became Afghanistan’s main sources of income, providing the bulk of its GDP and government revenues. Both are classed by economists as ‘rent’ because, like money paid to a landlord, they are not gained through work or effort. Afghanistan has received such colossal amounts of rent since 2001 that economists categorise it as a ‘rentier state’, one dependent on unearned foreign income.

The rent flowing into Afghanistan has proven far more influential in shaping its economy, and political institutions and culture than the top-down plans laid out at Bonn and in the constitution. Indeed, the political system that developed since the fall of the Taleban has run counter to the ‘Bonn vision’; elections have barely any democratic element and citizens can only dream of holding those in power to account. This should not be surprising: the relationship between high levels of unearned foreign income, on the one hand, and a lack of democracy and accountability, of corruption, inequality and poor development, on the other, is well known and well documented. They are explored in a body of work, known as ‘rentier state theory’. In Afghanistan’s case, as this paper will show, the normally adverse consequences of high levels of rent have only been sharpened by the conditions in 2001, when rent first accrued. This is because the rent came into the hands of a multiplicity of players and, crucially, at a time when there were no institutions that could hold those capturing power to account.

This paper looks at Afghanistan through the lens of rentier state theory and finds that doing so makes sense of much of what has happened – and gone wrong – in the last 18 years. This approach also underscores why the country is now in such great danger.

The report is structured as follows:

**Chapter 2. What is a rentier state?** The report first lays out rentier state theory and the general dynamics shared by all rentier states. It also identifies a crucial factor in the particular way rent affects a country – the nature of the state when the rent accrues.

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1 ‘Agreement on Provisional Arrangements in Afghanistan Pending the Re-establishment of Permanent Government Institutions’, preamble, [https://ihl-databases.icrc.org/ihl-nat/a24d1cf3344e99934125673e00508142/4ef7a08878a00fe5c12571140032e471/\\$FILE/BONN%20AGREEMENT.pdf](https://ihl-databases.icrc.org/ihl-nat/a24d1cf3344e99934125673e00508142/4ef7a08878a00fe5c12571140032e471/$FILE/BONN%20AGREEMENT.pdf).

2 ‘The Constitution of the Islamic Republic of Afghanistan’, ratified 26 January 2004, <https://president.gov.af/en/wp-content/uploads/sites/4/2017/01/TheConstitution.pdf-english.pdf>.

**Chapter 3. How much rent does Afghanistan get?** The report assesses how much rent Afghanistan has received from both aid and spending by foreign armies since 2001.

**Chapter 4. Afghanistan as a rentier state 1: The general effects of rent** This chapter assesses how rent has affected Afghanistan in general – including how it has worked against democracy, development and the establishment of rule of law and of mechanisms aimed at holding those in power to account.

**Chapter 5. Afghanistan as a rentier state 2: The consequences of rent going to multiple power holders in 2001** This chapter looks at how Afghanistan as a rentier state diverges from the oil producers, the countries about which rentier state theory was first developed.

**5.1 How who got rent in 2001 shaped the new polity** In Afghanistan in 2001, rent did not accrue to a single ruler or party but to multiple, mainly military, power holders in a fragmented political landscape, itself the consequence of two decades of conflict. This section looks at the lasting consequences of this in terms of who gained power.

**5.2 Afghanistan's parallel political system** The report details how, alongside the formal trappings of a democratic state, power is held by a little changing elite, with positions and resources distributed and little possibility for newcomers.

**5.3 Distributing the rent ... or not** This segment considers worsening inequality in Afghanistan and looks at how far less rent has been distributed, in terms of social goods, than is seen in the 'classic' rentier states.

**5.4 Accountability to donors ... or not** This section explores how, despite rents providing the bulk of Afghanistan's government revenues, donors have been unable to insist on transparent and accountable government.

**Chapter 6. What happens when the rent dries up?** The report ends by considering the near future. It looks at how efforts to reform the state are stymied and why there has been so little urgency among the elite to prepare for possible change, given the threats to both aid and military spending.

## 2. WHAT IS A RENTIER STATE?

Rentier state theory, established by Iranian economist Hossein Mahdavy in 1970<sup>3</sup> and developed by Italian Giacomo Luciani and Egyptian Kazem Beblawi in 1987,<sup>4</sup> sought to understand the consequences of oil sales dominating a country's exports, national income (GDP) and government revenues.<sup>5</sup> They looked at the political economies of the Middle Eastern oil-producers, that is, the way their economic systems, political institutions and political environment influenced each other. They found that when state revenues and GDP come largely from rent, the consequences for both economy and politics are marked and negative. Rentier states are rarely democratic and, despite often having very high incomes, tend to experience lower economic growth, greater inequality and worse development outcomes. Looking behind what is often called the 'resource curse' (in Afghanistan's case the resource is aid and military spending rather than a natural resource such as oil), these economists found the following characteristics to be typical.

### TYPICAL CHARACTERISTICS OF A RENTIER STATE

- **No representation without taxation** When a government is funded by external income, it does not need to collect taxes, and demands by citizens for representative and accountable government will, in consequence, be weak. "It is a fact," wrote Luciani, "that whenever the state essentially relies on taxation the question of democracy becomes an unavoidable issue, and a strong current in favour of democracy inevitably arises."<sup>6</sup>
- **Weakened domestic production** In rentier states, the foreign revenues strengthen the domestic currency, leading to cheap imports being sucked in and exports being priced out of the market (a phenomenon known as 'Dutch disease'). Domestic production in non-rent sectors is typically weakened.
- **Weak rule of law and property rights** The state has little incentive to build up the legal infrastructure, especially property rights and rule of law, that enables a market economy to flourish, and thereby produce profits to tax. As Robert Springborg explained: "[T]axation requires real and effective penetration of society and

3 Hossein Mahdavy, 'The Pattern and Problems of Economic Development in Rentier States: The Case of Iran', in *Studies in the Economic History of the Middle East*, ed M A Cook, Oxford University Press, Oxford, 1970, 428–67.

4 Kazem al-Beblawi, 'The Rentier State in the Arab World', 49–62, and Giacomo Luciani, 'Allocation vs. Production States: A Theoretical Framework', 62–84. Both in *The Arab State*, ed Kazem al-Beblawi and Giacomo Luciani, Routledge, London, 1987.

5 Luciani defines rentier states, as those "whose revenues derive predominantly (more than 40 per cent) from oil or other foreign sources and whose expenditure is a substantial share of GDP." Luciani, 'Allocation vs. Production', 72 [see FN 4].

6 Luciani, 'Allocation vs. Production', 75 [see FN 4].

economy.” Historically, it has been “the motor force of institutional development. By contrast, allocation [of resources by governments in rentier states] neither compels state development nor forces state and society into an embrace that fosters growth and accountable governance.”<sup>7</sup>

- **Strengthened patron-client relations** A rentier economy encourages vertical, client-patron relations, as citizens try to find jobs, contracts, services and favours from those closer to the source of the rent. Organising politically around horizontal ties based on shared economic interests, such as through trade unions or political parties, is hampered. Luciani described how, for an individual “who feels his benefits are not enough, the solution of manoeuvring for personal advantage within the existing setup is always superior to seeking an alliance with others in similar conditions.”<sup>8</sup>
- **Weak organised political opposition** Following on from this, organised political opposition is also less likely than in other unequal societies: “The blatant inequalities of income and wealth may create frictions,” wrote Mahdavy, “but not as much as in other countries since exploitation of a natural resource rather than the direct exploitation of people is the main source generating the disparities.”<sup>9</sup> Court politics, and plotting for personal advantage, is common, but wrote Luciani, this “rarely develops into a truly political debate.”<sup>10</sup>
- **Increased foreign influence** The foreign states or companies which are the source of or control the flow of external income often have more influence over the government than its own people.

Especially since Luciani and Beblawi’s 1987 work, scholars have been interrogating rentier state theory. They have been unable to dent it. As political scientist Naazneen H Barma has written, it is a “structural fact that rent affects institutions and policy-making in predictable patterns.”<sup>11</sup> Thirty years of scholarly work have, however, produced a rich and nuanced literature, highlighting why some countries experience the resource curse more deeply or differently than others. A significant variable, important for Afghanistan, is the nature of the state when the rent accrues. So, for example, diamond-rich Botswana has experienced high growth rates and democratic elections since independence. However, as Morrison has written, it had already begun to establish a democratic system with efficient institutions when diamond wealth began to accrue. He concludes that rents may not actually

7 Robert Springborg, ‘GCC Countries as “Rentier States” Revisited’, *Middle East Journal* 67, no 2, 2013, 301–09, <http://www.jstor.org/stable/43698051>.

8 Luciani, ‘Allocation vs. Production’, 76 [see FN 4]. The likelihood, in particular, of trade unions forming in oil-producing states is also undercut by the fact that only a small proportion of the workforce is involved in the production of the resource that produces the nation’s wealth. Compare, for example, the few workers needed to produce oil to those digging for coal, and the comparative clout, historically, of coal mining trade unions.

9 Mahdavy, ‘Pattern and Problems’, 437 [see FN 3].

10 Luciani, ‘Allocation vs. Production’, 76 [see FN 4].

11 Naazneen H Barma, ‘The Rentier State at Work: Comparative Experiences of the Resource Curse in East Asia and the Pacific’, *Asia & the Pacific Policy Studies* 1, no 2, 2014, 257–272, <https://onlinelibrary.wiley.com/doi/pdf/10.1002/app5.26>.

necessarily be ‘anti-democratic’ or ‘pro-democratic’ , but “simply stabilizing, in the sense that they solidify whatever political regime they enter.”<sup>12</sup>

Before looking at the consequences of the post-2001 rent in detail – both the general effects seen in almost all rentier states<sup>13</sup> and those particular to Afghanistan – this report will look at the size and nature of Afghanistan’s unearned foreign income.

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12 Kevin M Morrison, ‘What Can We Learn about the “Resource Curse” from Foreign Aid?’, *The World Bank Research Observer* 27, no 1, February 2012, 52-73, 56.

13 Morrison, ‘What we can learn’, 56 [see FN 12].

### 3. HOW MUCH RENT DOES AFGHANISTAN GET?

Afghanistan's rent is made up of both spending by the various foreign armies deployed to Afghanistan and international aid. Looking at these two sources of income in the same light may seem strange given their very different aims. However, the *rentier* effect each has on Afghanistan's political economy is the same. It might also seem that aid should have very different and far more positive consequences than rent from other sources. Not so, according to a World Bank paper; at least in terms of its impact on political institutions, it found, "aid is a bigger curse than oil."<sup>14</sup> What is significant is not whether there has been greater or less 'aid effectiveness'. Rather, it is the magnitude of the aid, along with the spending by foreign armies, and how this distorts the state/citizen relationship and the economy, that has proved so deeply problematic for Afghanistan.

Afghanistan has been a rentier state to some degree since at least the nineteenth century when British subsidies facilitated Abdul Rahman Khan's consolidation of the state. However, the post-2001 rent dwarfs any earlier dependency. Working out the size of the current rent, however, is difficult. Since 2001, there has been a wide array of donors and armies, different types of aid – bilateral, through multi-donor funding mechanisms, through NGOs, on and off-budget, civilian and military. Armies sustaining their operations have spent money on transport, supplies, construction, interpretation, security, base support and rent for land on which bases are built. They have also spent money in what would normally be the civilian sphere, such as building schools and improving irrigation. Some have also run proxy forces. Separately, foreign governments have also directly funded the Afghan National Security Forces (ANSF) and the Afghan intelligence agency, the National Directorate of Security (NDS).

Making the picture even more confusing are the different ways of measuring both aid and military spending. Figures for both are often inconsistent, confusing or missing, and reflect what Adam Pain has described as "an overall lack of transparency ... in terms of what is being spent on what."<sup>15</sup> There is also an ever-present gap between the money reported as spent 'on Afghanistan' and what is actually spent 'in Afghanistan'. A 2008 study by the NGO co-ordinating body in Afghanistan, ACBAR, for example, estimated that 40 per cent of aid allocated to Afghanistan since 2001 had returned to donor countries in corporate profits

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14 Simeon Djankov, Jose G Montalvo and Marta Reynal-Querol, 'The Curse of Aid', World Bank, 2007, <http://documents.worldbank.org/curated/en/206371468155962442/pdf/452540WP0Box331urse1of1aid01PUBLIC1.pdf>.

15 Pain was speaking about aid, but his words also apply to foreign military spending. Adam Pain, 'Livelihoods, Basic Services and Social Protection in Afghanistan', Afghanistan Research and Evaluation Unit, 2012, 7, <https://www.odi.org/publications/6675-livelihoods-basic-services-and-social-protection-afghanistan>.

and salaries.<sup>16</sup> Yet even if the majority of the money allocated never left donor countries, because the sums involved are so immense, it would still be the case that as the US Special Inspector General for Afghanistan Reconstruction (SIGAR) has said, “Huge sums, relative to the Afghan economy, flowed into the country.”<sup>17</sup>

## PINNING DOWN THE STATISTICS

One attempt to straighten out the data on rent accruing to Afghanistan was made in 2012 by Adam Pain:

*Between 2000 and 2009, an estimated total of \$274.7 billion in aid and military funding was spent in Afghanistan. An estimated 9.6 percent of this was ODA [official development assistance], 88.6 percent (\$243.3 billion) was spent on foreign military operations and a further 5.6 percent (\$16.1 billion) on security-related aid that is not ODA eligible.*<sup>18</sup>

Together, he said, military spending and aid amounted to 98.2 per cent of total major domestic and foreign resource flows into Afghanistan between 2000 and 2009. “Only Iraq bears comparison,” wrote Pain, in terms of the “weight of resource flows from military operations.” Iraq actually received a higher per capita spending of ODA. However, Afghanistan was unique, wrote Pain, “in having almost no counterweight to ODA in terms of domestic government revenue.” The government in Kabul raised just 1.2 per cent of total resource flows into the country between 2000 and 2009. Iraq, an oil producer, by comparison, generated domestic revenues that amounted to 42.9 per cent of its total resource flows.<sup>19</sup>

Some rent is off the books; it includes payments by the US (through the CIA), Pakistan, Iran and other countries direct to individuals. References to such payments appear in the media from time to time (some of them are referenced in this report). Although these sums are presumed to be insignificant to the overall economy, because the money typically targets political figures, its rentier effect – shielding power holders from obligations to the public and magnifying foreign influence over decision-making – may well be significant.

Foreign aid, though dwarfed by military spending, has dominated as the source of Afghan government expenditure. According to former chief of staff to Afghanistan’s central bank

16 Matt Waldman, ‘Falling Short: Aid Effectiveness in Afghanistan’, Agency Coordinating Body for Afghan Relief and Development (ACBAR), 2008, 5, [https://www-cdn.oxfam.org/s3fs-public/file\\_attachments/ACBAR\\_aid\\_effectiveness\\_paper\\_0803\\_3.pdf](https://www-cdn.oxfam.org/s3fs-public/file_attachments/ACBAR_aid_effectiveness_paper_0803_3.pdf).

17 Special Inspector General for Afghanistan Reconstruction (SIGAR), ‘Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan’, 2016, 8, <https://www.sigar.mil/pdf/lessonslearned/SIGAR-16-58-LL.pdf>. Since 2002, the US has budgeted approximately USD137 billion for “reconstruction and related activities” while the US Department of Defence has appropriated USD776 billion, including for war fighting. SIGAR, ‘Quarterly Report to the United States Congress’, 30 April 2020, (no page number), <https://www.sigar.mil/pdf/quarterlyreports/2020-04-30qr.pdf>.

18 Pain ‘Livelihoods’, 8 [see FN 15].

19 This was a major reason why Baghdad could afford, in 2011, to refuse to sign a Status of Forces Agreement which would have prevented it arresting any US military personnel accused of committing crimes in Iraq. Kabul, despite many complaints, did sign such an agreement (the Bilateral Security Agreement) in 2014.

Sarajuddin Isar, aid covered about 90 per cent of Afghan government expenditure for most of the decade after 2001, “declining only slightly towards the end of the decade.” By 2013, he said, the picture was somewhat less unbalanced, with 70 per cent of expenditure funded by aid.<sup>20</sup>

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Aid and military spending have both gradually fallen, first since the end of the 2009–12 US military surge, when more than 100,000 US troops were deployed to Afghanistan and an associated ‘civilian uplift’ meant US funding also rose sharply,<sup>21</sup> and then again, with the completion of the withdrawal of ISAF troops in 2014. The administration of President Ashraf Ghani has also generally been collecting more money in taxes and

customs than his predecessor did, partly after creating some new taxes and raising rates and partly because of more effective collection. Domestic revenues grew by double digit rates in 2015, 2016 and 2017<sup>22</sup> although last year, wrote the United States Institute of Peace (USIP’s) William Byrd, customs and tax revenues stagnated.<sup>23</sup>

Even though aid is less than it was and domestic revenues are generally more robust, as a proportion of the government’s budget, aid still looms large: the current 1399/2020 budget estimates that 48 per cent will be funded by aid.<sup>24</sup> Moreover, Afghan Ministry of Finance figures leave out off-budget expenditure and off-budget grants. If these are included, according to the World Bank’s latest update on Afghanistan’s public expenditure from

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20 See ‘National Budget 1399’, Islamic State of Afghanistan Ministry of Finance, 2020, 2, [https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399\\_Budget/MasterEnglish.pdf](https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/MasterEnglish.pdf). See also Bill Byrd and M Khalid Payenda, ‘Afghanistan’s Government Revenue: Continuing robust growth in the face of economic weakness’, Afghanistan Analysts Network, 1 September 2016, <https://www.afghanistan-analysts.org/afghanistans-government-revenue-continuing-robust-growth-in-the-face-of-economic-weakness/>; Kate Clark and Bill Bryd, ‘The 2018 Afghan National Budget: Confronting hard realities by accelerating reforms’, Afghanistan Analysts Network, 5 December 2017, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-2018-afghan-national-budget-confronting-hard-realities-by-accelerating-reforms/>.

21 US funding of ‘governance and development’ alone rose by 58 per cent from 2009 to 2010. SIGAR, ‘Corruption in Conflict’, xi, [see FN 17].

22 See ‘National Budget 1399’, 2 [see FN 20]. See also Byrd and Payenda, ‘Government Revenue’ [see FN 20]; Clark and Bryd, ‘2018 National Budget’, [see FN 20].

23 Byrd picked apart the Ministry of Finance’s claim that non-tax revenues had risen by 31 per cent in 2019, finding the purported increase due to “paper profits based on the currency’s drop in value and the rest... unsustainable one-time levies from public entities.” Once this was factored in, he said, total revenues in 2019 had actually fallen by 2.8 per cent. William Byrd ‘An Essential for Afghan Peace: Funding the Government’, 2 March 2020, <https://www.usip.org/publications/2020/03/essential-afghan-peace-funding-government>.

24 ‘National Budget 1399’, 22 [see FN 20].

July 2019, total grants can be calculated as financing more than 75 per cent of total public expenditure.<sup>25</sup>

Afghanistan's public expenditure, says the World Bank, is "high and unsustainable" at 58 per cent of GDP. It also far exceeds the usual level for low-income countries or indeed 'any-income' country group. This largely reflects, the Bank says, "very substantial security sector expenditures," equal to around 30 per cent of GDP (the low-income country average for security spending is three per cent of GDP). The Ministry of Finance in its 1399/2020 budget explains that Afghanistan is "strongly aid-dependent" as a result of "the formation of a new government and problems raised as a result of war."<sup>26</sup> In reality, the dependence is both structural and long-term.

Looking at Taleban-controlled or influenced areas of Afghanistan, it is evident that the insurgent movement relies as much on external rents as the government does. As AAN's series on service delivery in insurgency-influenced districts has shown, with very rare exceptions, such as courts and some small infrastructure projects, the Taleban piggy-back on government and NGO spending and structures when it comes to health, education and development projects.<sup>27</sup> The movement funds itself by 'taxing' citizens, companies and some services (with no apparent redistribution in terms of social goods), taking cuts from the opiate trade and receiving support from 'external donors', albeit a set that is different from the government's.

Aid and military spending have both fluctuated since 2001. Even so, in every year in all of the last 18 years, Afghanistan would be classed as a rentier state on the strength of aid alone or military spending alone. One or two years of such massive external resource inflows might have been a blip; nearly two decades into the post-Taleban era, the steady stream of rent has had deep-seated consequences for the country, as the next chapters will explore in detail.

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25 'Afghanistan: Public Expenditure Update', World Bank, 29 July 2019, <http://documents.worldbank.org/curated/en/696491564082281122/pdf/Afghanistan-Public-Expenditure-Update.pdf>, 1.

26 'National Budget 1399', 1 [see FN 20].

27 Kate Clark and Jelena Bjelica 'One Land, Two Rules (1): Service delivery in insurgent-affected areas, an introduction', Afghanistan Analysts Network, 6 December 2018, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/one-land-two-rules-1-service-delivery-in-insurgent-affected-areas-an-introduction/>.

## 4. AFGHANISTAN AS A RENTIER STATE 1: THE GENERAL EFFECTS OF RENT

Worth asking at the onset is why Afghanistan has received quite so much rent from foreign powers. Taking the long view, the pattern has been of foreign powers repeatedly paying Kabul to block rivals. Imperial Britain in the nineteenth century gave subsidies to Abdul Rahman Khan to keep Czarist Russia out of Afghanistan. During the Cold War, the US and the Soviet Union both competed for influence in Kabul, using state aid to ensure Afghanistan did not join the other's military bloc.<sup>28</sup> The aid and military support given since 2001 follow the same pattern, as the current US strategy document spells out: "The fundamental objective of U.S. efforts in Afghanistan is preventing any further attacks on the United States by terrorists enjoying safe haven or support in Afghanistan."<sup>29</sup> Aid and not just military support is considered important; the assumption has been that aid will bring prosperity and those living in a prosperous and stable Afghanistan will not support the Taliban. A 2009 US Army handbook, for example, said that aid was given "to win the hearts and minds of the indigenous population to facilitate defeating the insurgents."<sup>30</sup>

The massive nature of the rent has had momentous, negative consequences. Most fundamentally, it has freed those in power from the need to tax citizens. As former chief of staff to the central bank Sarajuddin Isar has written, after the fall of the Taliban, the government did not need to "bother or take taxation seriously."<sup>31</sup> Rather, it has been able to use rent to pay for salaries, contracts and public goods, including rewarding supporters. It

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28 In the 1960s, Cold War rivalry meant both the US and USSR funded about 40 per cent of the Afghan state's budget. As that aid declined, wrote Barnett Rubin, rent from exports of natural gas to the USSR provided the state with half its budget and this "relieved Daoud of whatever incentives he might have had to make his government accountable." Barnett Rubin, *The Fragmentation of Afghanistan: State Formation and Collapse in the International System*, New Haven, Yale University Press, 1995. After the outbreak of war, foreign income flowed to Kabul from the USSR and to the mujahedin from the US, Saudi Arabia and Pakistan. After 1992, foreign funding fell sharply and largely came from regional powers. The Taliban administration, noted Sarajuddin Isar, was also dependent on external rents and, for example in 1998, was "totally financed by direct aid from Pakistan, which amounted to Rs.500 million, or US\$10 million." Sarajuddin Isar, 'A Blessing or a Curse? Aid Rentierism and State-building in Afghanistan', E-International Relations, 23 May 2014, <http://www.e-ir.info/2014/05/23/a-blessing-or-a-curse-aid-rentierism-and-state-building-in-afghanistan/>, 3.

29 Quoted by the Congressional Research Service, 'Afghanistan: Background and U.S. Policy: In Brief', 1 May 2020, 12, <https://fas.org/sgp/crs/row/R45122.pdf>.

30 Andrew Wilder and Stuart Gordon, 'Money Can't Buy America Love', *Foreign Policy*, 1 December 2009, <https://foreignpolicy.com/2009/12/01/money-cant-buy-america-love/>.

31 Sarajuddin Isar, 'Taxation, the prerequisite of state-building, an overview of tax system in Afghanistan' Afghanistan Research and Evaluation Unit, January 2020, 2, <https://areu.org.af/publication/taxation-the-prerequisite-of-state-building-an-overview-of-tax-achievements-and-challenges-in-afghanistan/>.

has enjoyed financial autonomy from its citizens, with the consequence that their capacity to hold it to account is limited. Citizens may have access to state largesse, but typically only if they have the right contacts. Trying to get a public sector job, a contract or other resources or to affect policies is achieved mainly by appealing to better-placed members of the same clan, tribe or ethnicity, or other people with whom one has established close ties.

## INFLUENCE GREATER FOR FOREIGNERS, WEAKER FOR CITIZENS

Neither former president Hamed Karzai nor Ashraf Ghani have really had to deal with organised and determined citizens demanding that their administration answers to them. Concerted drives for accountability are rare and typically concern short-term single issues, for example: protests over civilian casualties (which prompted Karzai to take their complaints up with the US military and NATO); protests over the alleged desecration of the Quran (such as in 2012<sup>32</sup>) and; mobilisation over common ethnic concerns (for example, the ‘Zabul Seven protests’ in November 2015,<sup>33</sup> and the demonstrations demanding a routing of the TUTAP power line through Bamyán in spring 2016<sup>34</sup>). Civil society in Afghanistan is also relatively weak and as aid-dependent as other sectors. Moreover, although some political parties based on ideology have been established or revived since 2001, they have failed to make an impression in elections or other forums. By contrast, the *tanzims*, the political-military factions which emerged out of the conflict, have endured and still have influence; they will be looked at below.

The way rent both diminishes the influence of citizens and expands the clout of those providing the rent is also evident. Although foreign nations never became official occupying powers with legal responsibilities as the US and UK did in Iraq, nevertheless, the scale of foreign influence, especially the US, on policy, institutions and appointments has been wide and deep. Foreign nations brought their own ideologies, ideas, prejudices and blind spots when shaping policy. Individual officials, advisors and military leaders might have little knowledge of the country, or specialist knowledge, but still carried weight. Policy might not even be decided in Afghanistan, but in foreign capitals. Examples of questionable decisions and programmes abound, from the US insistence that the Taliban could not be dealt with and had to be defeated or, more latterly, have to be dealt with, to its insistence in 2002 that former king Zahir Shah would not be the chair of the Transitional Authority,<sup>35</sup> to policies shaping the ANSF and local forces such as the Afghan Local Police

32 Emma Graham-Harrison, ‘Qur’an burning protests: two US soldiers shot dead by Afghan colleague’, *The Guardian*, 23 February 2012, <https://www.theguardian.com/world/2012/feb/23/quran-burning-afghanistan-us-soldiers-dead>.

33 Martine van Bijlert, ‘The “Zabul Seven” Protests: Who speaks for the victims?’, Afghanistan Analysts Network, 12 November 2015, <https://www.afghanistan-analysts.org/the-zabul-seven-protests-who-speaks-for-the-victims/>.

34 Thomas Ruttig, ‘Power to the People: The TUTAP protests’, Afghanistan Analysts Network, 16 May 2016, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/power-to-the-people-2-the-tutap-protests/>.

35 Thomas Ruttig, ‘Flash from the Past: Power play before the 2002 Emergency Loya Jirga’, Afghanistan Analysts Network, 27 April 2012, <https://www.afghanistan-analysts.org/en/reports/political-landscape/flash-to-the-past-power-play-before-the-2002-emergency-loya-jirga/>.

(see a forthcoming AAN report), agriculture,<sup>36</sup> trade and the economy (see, for example, SIGAR’s lessons-learned report on US support to private sector development and economic growth)<sup>37</sup> and counter-narcotics – “driven by political demands rather than evidence,” as Mansfield puts it in his devastating analysis of the US/UK-funded Helmand Food Zone programme, although the phrase accurately describes two decades of policy.<sup>38</sup>

Rentier state theory also predicts there will be little incentive to build the legal infrastructure that enables a market economy to flourish, so that there are revenues for the state to tax. Apart from opiates, a sector which only illegality gives a comparative advantage to,<sup>39</sup> domestic production in Afghanistan is weak and uncompetitive, with imports consistently far exceeding exports: 7,407 million dollars’ worth of imports in 2018, compared to 825 million dollars in exports and with “aid flows almost entirely financing the widening trade deficit,” reported the World Bank in 2018.<sup>40</sup> Many programmes and policies pushed by donors and reformers within the state trying to facilitate trade, production, agriculture, justice and rule of law, et cetera, by instilling ‘good governance’, combatting corruption, growing exports, increasing efficiency, improving justice institutions and so on have typically run into the sand, where they disappeared, or have been co-opted. To give just one example, the dozen or so ‘anti-corruption institutions’ have been “at best, vehicles for deploying donor money, or at worst, places which support corruption, for example, if officials use cases to get bribes from alleged offenders to not pursue cases.”<sup>41</sup>

The immensity of the aid has ultimately sabotaged what it was supposed to achieve, as Astri Suhrke demonstrated in her 2005 critique of the Afghan state-building project. She described the premise upon which international donors acted as a belief that “international assistance has predominantly positive effects and – once it reaches a ‘critical mass’ – can turn things around.”<sup>42</sup> In other words, when a cadre of educated, trained or ‘capacity-built’ Afghans was established; when roads, clinics and schools had

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- 36 Adam Pain, ‘Growing Out Of Poverty? Questioning agricultural policy in Afghanistan’, Afghanistan Analysts Network, 27 August 2019, <https://www.afghanistan-analysts.org/en/special-reports/growing-out-of-poverty-questioning-agricultural-policy-in-afghanistan/>.
- 37 SIGAR, ‘Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan’, April 2018, <https://www.sigar.mil/pdf/lessonslearned/SIGAR-18-38-LL.pdf>.
- 38 David Mansfield, ‘The Helmand Food Zone: “The Illusion of Success”’, Afghanistan Research and Evaluation Unit, November 2019, <https://areu.org.af/publication/1908/>. See also David Mansfield, *A State Built on Sand: How Opium Undermined Afghanistan*, London: Hurst, 2018, <https://www.hurstpublishers.com/book/a-state-built-on-sand/>.
- 39 In both 2017 and 2018 (the last years where data is available), the value of the opiate economy exceeded by far the value of country’s exports of licit goods and services, with benefits to farmers, labourers, traders and landowners, as well as Taleban, government officials and other power holders. From a rentier state perspective, the opiates industry further undercuts any drive to establish rule of law and accountability mechanisms.
- 40 World Bank, ‘Afghanistan Development Update’, August 2018, <http://documents.worldbank.org/curated/en/985851533222840038/pdf/129163-REVISED-AFG-Development-Update-Aug-2018-FINAL.pdf>, 7.
- 41 Jelena Bjelica, ‘Afghanistan’s Anti-Corruption Institutions: Too many, and with too few results’, Afghanistan Analysts Network, 29 May 2019, <https://www.afghanistan-analysts.org/afghanistan-anti-corruption-institutions-too-many-and-with-too-few-results/>.
- 42 Astri Suhrke, ‘When More is Less: Aiding Statebuilding in Afghanistan’, The Christian Michelsen Institute/Heinrich Böll Stiftung, 2005, 1, [https://www.boell.de/sites/default/files/assets/boell.de/images/download\\_de/worldwide/asuhrke\\_aiding\\_statebuilding\\_afghanistan.pdf](https://www.boell.de/sites/default/files/assets/boell.de/images/download_de/worldwide/asuhrke_aiding_statebuilding_afghanistan.pdf).

been constructed and armed forces and a bureaucracy stood up; when the population was healthy, with more children surviving into adulthood and fewer women dying giving birth to them; and when political interests were formulated through organised political parties and a thriving parliament, then, Afghanistan would be able to ‘stand on its own feet’. As Suhrke has pointed out, then finance minister Ashraf Ghani was a leading proponent of this thinking.<sup>43</sup> Yet the huge external rents inevitably created a state and economy dependent on rent, helping also to weaken domestic production and consolidate corruption in the state.

Moreover, the more donors used aid to try to help ‘turn things around’, the greater the harm. William Byrd, in a wide-ranging AAN paper on financial management, commented on how the huge inflow of resources during the 2009–12 surge and civilian uplift was a factor in increasing and entrenching corruption. The huge amounts of ready money threatened, he said, even to the “relative ‘islands of integrity’” that did still exist in “a certain sector, ministry, or area of activity.”<sup>44</sup>

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## The immensity of the aid has ultimately sabotaged what it was supposed to achieve.

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Economic growth since 2001 has proved unsustainable because it was based on rent, as figure 1 illustrates. The rate of economic growth has risen when rents have increased and fallen when they have diminished, with variation also according to weather and harvests. As the number of foreign soldiers fell from more than 130,000 at the peak of the surge to 14,000 by the end of 2014 when the ISAF mission

ended, the amount of money coming into Afghanistan also plummeted. Donors, aware of the economic threat, pledged USD16 billion of civilian aid at the 2012 Tokyo conference to try, as the BBC reported, “to safeguard [Afghanistan’s] future after foreign forces leave in 2014.”<sup>45</sup> Yet the aid could not replace the sheer weight and penetration of the military spending that, because of the spread of foreign bases, had reached deep into much of the Afghan countryside. Annual growth, which had averaged 9.4 per cent between 2003 and 2012, has not risen above 3 per cent since 2014. Poverty rates have also mirrored rent. They fell after 2001, but have also increased and deepened in recent years and are now higher

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43 Suhrke wrote: “[He] argued forcefully that massive aid was necessary for reconstruction and, above all, to drown out the illegal economy. Absent sufficient aid, he warned, Afghanistan would become a “narco-mafia state.” Suhrke, ‘When more is less’, 10 [see FN 42].

44 William A Byrd, ‘Economic Management in Afghanistan: What Worked, What Didn’t, And Why?’, Afghanistan Analysts Network, January 2015, <https://www.afghanistan-analysts.org/wp-content/uploads/2015/09/20150806-Economic-Management-final-Sud2.pdf>, 12.

45 BBC, ‘Afghanistan aid: Donors pledge \$16bn at Tokyo meeting’, 8 July 2012, <https://www.bbc.co.uk/news/world-asia-18758148>.

than they were in 2003, with more than half of Afghans again living in poverty.<sup>46</sup> A further third, said the World Bank in 2018, are “susceptible to dropping below the poverty line.” The Bank’s description of the Afghan economy shows the dysfunctions caused by rent:

*Recent evidence from household surveys suggests that access to services is declining among the poor. With an undiversified productive base, the economy relies heavily on foreign aid and public expenditure. The private sector is extremely narrow, with employment concentrated in low-productivity agriculture. Investment since 2001 has focused around the aid-driven contract economy.<sup>47</sup>*

The aid flows that meant the government had no need to tax, said Sarajuddin Isar (the central bank’s former chief of staff), also meant it was reluctant to promote taxation. This encouraged, “a lack of tax compliance culture leading to tax evasion and tax corruption.”<sup>48</sup> Tax offices and customs departments, Isar wrote, remain “sources of rent creation and rent negotiation” as citizens bargain with and bribe officials to pay less or no tax at all:

*Taxes were mainly resisted by strong power holders or by those with strong political ties such as parliamentary members, and those with close ties to government officials and tribal elders. Political affiliation has been a key challenge for tax officials in collecting taxes and customs revenue both at the capital and at the periphery.<sup>49</sup>*

Isar pointed to the fundamental lack of trust by Afghans who have no idea where their taxes are spent and who doubt whether the rich and powerful pay any at all. “With massive dependence on aid,” he wrote, “[the Ministry of Finance] has been/is very engaged and in a sense accountable to donors than focusing on its prime responsibility,” that is, its accountability to Afghan citizens. It is crucial, said Isar – recognising the political as well as economic problems of the rentier state – for the government to engage with the public on tax and begin creating a “fiscal social contract.”

The rentier nature of the state, wrote Isar, has also been a significant factor in the struggle of Kabul governments to be viewed as legitimate by their citizens:

... the state elites do not require public support nor legislative compliance when they do not raise revenues from domestic economy. Instead, they maintain their donor relations.... Despite the frequent complaints of states about donors’ tight conditions,

46 The data for determining the rate of poverty is gathered in household surveys. These are not carried out every year, but the trends are clear. 51 per cent of the population was assessed to have been living in poverty in 2003, according to: World Bank, ‘Afghanistan – Poverty, Vulnerability, and Social Protection: An Initial Assessment’, Washington, DC, 2005, 83, <https://openknowledge.worldbank.org/handle/10986/8522>. That had fallen to about 34 per cent in 2007/8. The next survey in 2011/12 showed an increase in poverty, to 38 per cent; poverty was still decreasing in urban areas, but had increased in rural areas – it was a drought year. By 2016/17, both rural and urban rates of poverty had increased and the national rate was 55 per cent. Figures from The Afghanistan Living Conditions Survey dashboard, [https://cso-of-afghanistan.shinyapps.io/ALCS\\_Dashboard/](https://cso-of-afghanistan.shinyapps.io/ALCS_Dashboard/)).

47 World Bank, ‘Project Information Document/Integrated Safeguards Data Sheet (PID/ISDS)’, 11 September, 2018, 3, <http://documents.worldbank.org/curated/en/729061538645610413/pdf/Concept-Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Afghanistan-Fiscal-Stability-Facility-P168274.pdf>.

48 Isar, ‘Taxation’, 2 [see FN 31]. Isar quotes a former Ministry of Finance official’s estimate that between 2005 and 2017, six out of every ten medium-level tax payers had evaded tax (page 3).

49 Isar, ‘Taxation’, 3 [see FN 31].

it is still much easier to meet the demands of donors than the slow and politically challenging responsibility of building, and progressing, domestic revenue collection. Furthermore, a high dependence upon aid undermines the state's ability to bargain with powerful non-state actors.<sup>50</sup>

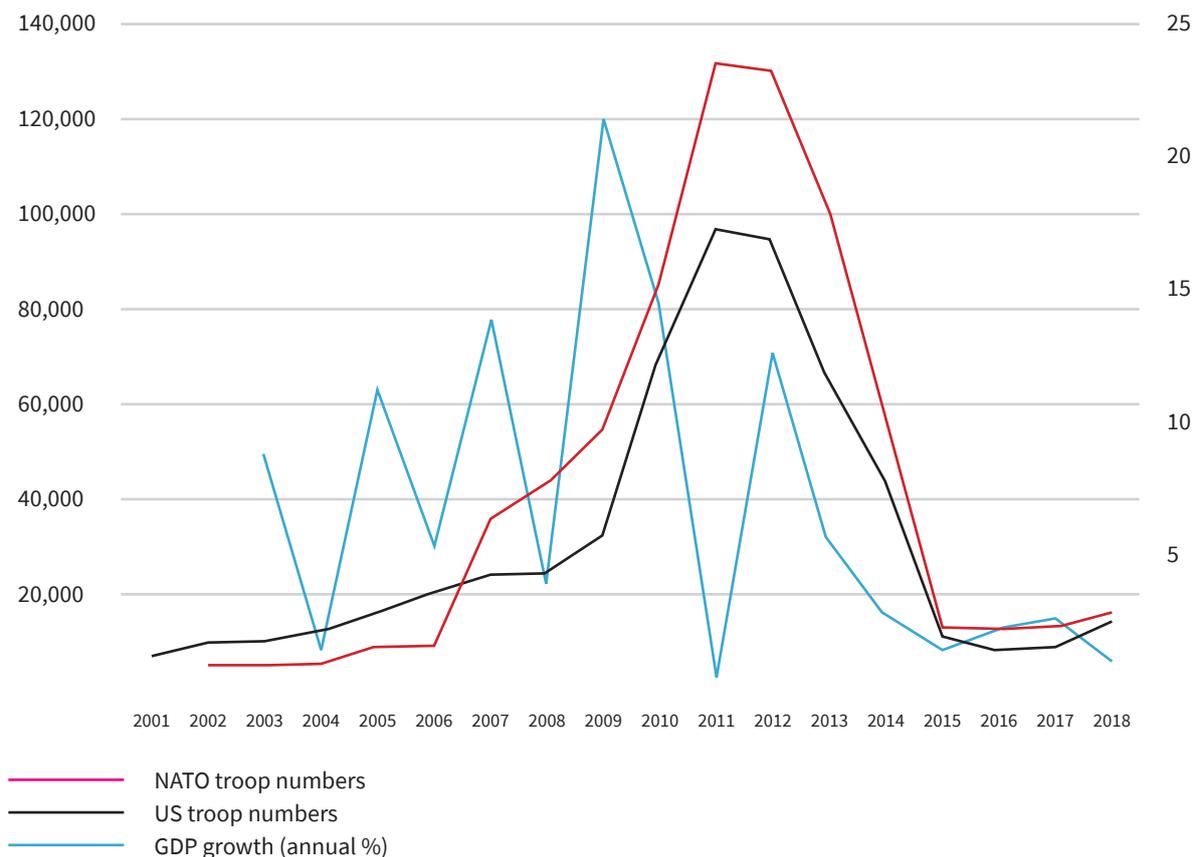
This observation, of the need for the state to bargain with powerful non-state actors introduces one of the several important ways in which Afghanistan differs markedly from the classic rentier state model.

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<sup>50</sup> Isar, 'Blessing or Curse?', 2 [see FN 28].

## Figure 1: The deployment of international forces and economic growth in Afghanistan

Given the difficulty of determining how much armies spend in Afghanistan and how much aid of all types is given, this graph uses the number of international forces deployed as a proxy for rent coming into the country.<sup>i</sup> The mirroring of economic growth with deployment is evident. The major anomaly is 2011 when, despite high numbers of foreign troops, drought severely affected agricultural production; agriculture is a major and volatile component of Afghanistan's GDP.<sup>ii</sup>



i Economic Growth: data for the annual percentage increase in GDP is from: World Bank, 'Databank: World Development Indicators', accessed 25 May 2020, <https://databank.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/1ff4a498/Popular-Indicators>, data available for 2003-2018 only. Deployments: This data was tricky to collate; it comes from multiple sources and will include double counting, ie US forces may have been included in NATO head counts or not. This was impossible to disentangle. Even so, it gives the trends in deployment. Sources for NATO: Ian S Livingston and Michael O'Hanlon, 'Afghanistan Index, Brookings Institute, 30 September 2012 gives figures for 'Other Foreign Troops Deployed To Afghanistan', 5, <https://www.brookings.edu/wp-content/uploads/2016/07/index20120930.pdf>, for 2002-2006; 'NATO and Afghanistan RSM Placemats Archive', NATO, updated 23 May 2020, <https://www.nato.int/cps/en/natolive/107995.htm>, gives troop deployments from 2007 to date. Sources for US forces: Associated Press, 'A timeline of U.S. troop levels in Afghanistan since 2001, 6 July 2016, accessed via Military Times, <https://www.militarytimes.com/news/your-military/2016/07/06/a-timeline-of-u-s-troop-levels-in-afghanistan-since-2001/> gives troop numbers for **2002** and **2003**; 'The New York Times', 'Troop Levels in Afghanistan since 2001 [archived screenshot], accessed 25 May 2020, <https://archive.nytimes.com/screenshots/www.nytimes.com/interactive/2009/10/01/world/asia/afghanistan-policy.jpg> includes a graph which provides approximate numbers of troops for **2004**, **2005** and **2006**; Congressional Research Service, 'Department of Defense Contractor and Troop Levels in Afghanistan and Iraq: 2007-2018 Updated May 10, 2019', 7-8, <https://fas.org/sgp/crs/natsec/R44116.pdf>, gives numbers for **2007-2017**; 'Advance Policy Questions for Lieutenant General Austin Miller, US Army Nominee for Commander, Resolute Support Mission and Commander, United States Forces-Afghanistan', transcript of testimony to the Senate Armed Services Committee, 19 June 2018, [https://www.armed-services.senate.gov/imo/media/doc/Miller\\_APQs\\_06-19-18.pdf](https://www.armed-services.senate.gov/imo/media/doc/Miller_APQs_06-19-18.pdf) mentions a figure of 14-15,000 troops deployed at that time.

ii The World Bank explained the slowdown in economic growth in 2011 as "due mainly to unfavorable weather and a poor harvest." Furthermore, it explained: "Due to the importance of the sector in the economy (between 20-30 percent of GDP depending on harvest), changes in agriculture output have a large influence on GDP growth." World Bank, 'Afghanistan Economic Update, October 2012, <http://documents.worldbank.org/curated/en/608401468197938061/pdf/734470REVISED00Brief020120Oct0Final.pdf>. Note: The figure given in this document for 2011 GDP growth is different from that given currently by the Bank (7.4%, rather than 0.4%).

## 5. AFGHANISTAN AS A RENTIER STATE 2: THE CONSEQUENCES OF RENT GOING TO MULTIPLE POWER HOLDERS IN 2001

### 5.1 HOW WHO GOT RENT IN 2001 SHAPED THE NEW POLITY

When massive amounts of rent began to accrue to Afghanistan in 2001, the country was very different from the Middle Eastern oil producers around which rentier state theory first developed; in those countries, leaders or parties were able to use rent to build up and consolidate strong central states, whether totalitarian or paternalistic. In 2001, Afghanistan had no hegemonic leader or party, but a multiplicity of rival actors to whom the rent accrued. Most were men with military or factional backgrounds. Credible institutions that could have demanded accountability from those capturing power did not exist. The rent when it came was sudden and colossal, immediately dwarfing domestic revenues. All of these factors have made the particular Afghan rentier state that has developed very distinctive. Especially bearing in mind Morrison's contention that rent tends to stabilise whatever political system it encounters, it is worth looking in detail at what happened in the early years of the intervention and how this set Afghanistan on its particular trajectory.

The US campaign against the Taleban in 2001 initially and overwhelmingly funnelled rent towards the 'commander class', men who had become powerful during the war at the expense of traditional elites. Although some had been fighting on in the ranks of the Northern Alliance, the collection of previously warring factions, which had come together to resist the Taleban, most commanders had been disarmed by the Taleban and their men demobilised. US support revived the fortunes of the commanders and factional leaders, giving them a head start in the post-Taleban era. Meanwhile, civilians especially women – already sidelined by war and a patriarchal society and having been excluded entirely from public life by the Taleban – were immediately disadvantaged. Also significant was the fact that the armed factions that had emerged during the war had developed along ethnic and other solidarity lines, and these were then reproduced and emphasised post-2001. The synergy with rentier dynamics, which tend to strengthen vertical, client-patron relations, was strong.

The importance of that initial access to foreign rents in capturing and holding power in the post-2001 period cannot be over-emphasised; those who initially benefited from American largesse have largely stayed in power. US funding was huge and sudden. SIGAR has reported that the CIA alone used one billion dollars to fund its operations, channelling "money, food, ammunition, and other means of support to the warlords and their

militias.”<sup>51</sup> As the Taliban regime collapsed, the US-supported leaders and commanders of the *tanzims* of the Northern Alliance and the more tribally-based, although usually still ex-mujahedin networks, such as that of Gul Agha Sherzai in Kandahar, captured state positions, apparatus and property as if they were booty. Along with these positions came continuing income streams because the new state was funded by donor money.

“The United States’ choice of proxies determined the shape of the new order,” wrote the Institute for the Study of War’s Carl Forsberg about Kandahar, although his narrative

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**For the newly  
empowered, their  
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rent, often military  
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holds true for most of the rest of the country. Even before Kandahar city fell, US support for Sherzai and Karzai meant they were positioned for power, “although numerous other actors, including former mujahideen commanders and returning Durrani émigrés also rushed in seeking opportunities in the new Afghanistan.”<sup>52</sup> For the newly empowered, their alliance with US forces ensured continuing rent, often military support, and a certain autonomy from society. Many felt they could exclude or persecute old rivals – whether based on tribe or faction and

including Taliban – without cost. The normal Afghan practice of victors being generous to their defeated enemies was only rarely seen and would be one factor driving later rebellion and insurgency.<sup>53</sup>

The shape of the new administration quickly became evident: about four-fifths of the first cabinet were military men or civilian members of *tanzims*. At least 20 of the first 30 provincial governors, Antonio Giustozzi assessed, were “militia commanders, warlords or strongmen,” while “smaller militia commanders also populated the ranks of the district governors.”<sup>54</sup> Those gaining positions of power in the post-2001 state then imported men, patronage networks and organisational structures that had developed over many years of war into the post-Taliban state, again directly influencing the political sphere. Looking, for example, at the generals appointed in February 2002 by then General Qasim Fahim, leader of Shura-ye Nazar (the group within Jamiat-e Islami and the Northern Alliance that captured Kabul in 2001), of the 38 generals constituting the new general staff of the

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51 SIGAR, ‘Corruption in Conflict’, 16 [see FN 17].

52 Carl Forsberg, ‘Politics and Power in Kandahar’, Institute for the Study of War, 2010, 20 [http://www.understandingwar.org/sites/default/files/Politics\\_and\\_Power\\_in\\_Kandahar.pdf](http://www.understandingwar.org/sites/default/files/Politics_and_Power_in_Kandahar.pdf).

53 This dynamic is well documented. For a list of publications, see footnote 6 of Kate Clark, ‘A Maelstrom of Militias: Takhar, a case study of strongmen co-opting the ALP’, 14 November 2019, <https://www.afghanistan-analysts.org/en/reports/war-and-peace/a-maelstrom-of-militias-takhar-a-case-study-of-strongmen-co-opting-the-alp/>. The normative Afghan practice of treating defeated enemies with generosity, considered a mark of statesmanship, is discussed in Michael Semple, ‘Reconciliation in Afghanistan’, United States Institute of Peace, 1 September 2009, <https://www.usip.org/publications/2009/09/reconciliation-afghanistan>.

54 Antonio Giustozzi, *Koran, Kalashnikov and Laptop: The Neo-Taliban Insurgency in Afghanistan*, London, Hurst, 2007, 16.

army, 37 were Fahim's co-ethnic Tajiks and 35 were affiliated to Shura-ye Nazar. Of the 100 generals that he appointed in total, Giustozzi wrote, 90 belonged to Shura-ye Nazar.<sup>55</sup>

The roles of the military men who captured power in 2001 did change over time. In an unpublished study of 70 senior commanders, warlords and factional leaders, Michael Semple found that, in 2001–02, a majority held official positions in the state, mostly in military roles. By 2007–08, the majority had shifted to political roles; a minority were still in government and a further third in parliament. Being out of government, however, and being more or less 'civilianised' did not mean marginalisation, concluded Semple: "In many ways," he wrote, "these men retain their status as a power elite." While the vast majority were no longer commanding armed men in 2007–08, he thought most still had the potential to mobilise armed supporters in a crisis.<sup>56</sup>

Rent also created several new political players and empowered other relatively weak ones, most notably Karzai himself. Although from a prominent Kandahari family, he arrived at the presidential palace without militias or wealth. That weakness, his inability to threaten other more powerful actors, was a major reason they accepted him as chair of the Transitional Administration in 2001. Karzai eventually became the most powerful actor in the country because of his primary access to external rents, either directly or through other members of his family, especially his brother Ahmad Wali Karzai.<sup>57</sup> Even so, he was always only a player among players, and much of his time was spent using those rents, deploying patronage, 'paying off' potential rivals and juggling factions and interests to maintain his authority and consolidate his power.

There were also some new political actors in the security sector, particularly those who managed to use their alliance with foreign forces and the rent that went with it to exclude rivals and reward clients. Examples of such newcomers were provincial police commanders General Abdul Razeq in Kandahar (killed in 2018) and Matiullah Khan in Uruzgan (killed in 2015). Both had favoured particular and divisive tribal interests. In the case of Matiullah, as Derksen has commented, his rise "as a security provider in Uruzgan was not in response

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55 Antonio Giustozzi, 'Re-building the Afghan Army', conference paper originally presented at State reconstruction and international engagement in Afghanistan, 30 May – 1 June 2003, London School of Economics and Political Science and University of Bonn, 21–2, <http://eprints.lse.ac.uk/28363/>.

56 Michael Semple, 'SSR and Non-State Actors', unpublished paper provided to author, 2008.

57 Both Hamed and Ahmad Wali Karzai were reported as receiving personal funding from the CIA and the president also from Iran. "Despite [Ahmad Wali's] suspected involvement in the opium trade, land grabbing, and other illicit activities," wrote SIGAR, "he was deemed a vital security partner. There was reportedly little appetite within the CIA to hold him accountable, lest doing so jeopardize this critical relationship." SIGAR, 'Corruption in Conflict', 19 [see FN 17]. See also Matthew Rosenberg, 'With Bags of Cash, C.I.A. Seeks Influence in Afghanistan', *The New York Times*, 28 April 2013, <https://www.nytimes.com/2013/04/29/world/asia/cia-delivers-cash-to-afghan-leaders-office.html>; Dexter Filkins, Mark Mazzetti and James Risen, 'Brother of Afghan Leader Said to Be Paid by C.I.A.' *The New York Times*, 27 October 2009, <https://www.nytimes.com/2009/10/28/world/asia/28intel.html?module=inline>; Dexter Filkins, 'Death of an Afghan Godfather', *The New Yorker*, 12 July 2011, <https://www.newyorker.com/news/news-desk/death-of-an-afghan-godfather>; Jon Boone, 'Hamid Karzai admits office gets 'bags of money' from Iran', *The Guardian*, <https://www.theguardian.com/world/2010/oct/25/hamid-karzai-office-cash-iran>.

to a need of the local communities.... Rather, [he] served in the first place outside actors, most importantly the foreign troops deployed in Uruzgan and the Karzai family.”<sup>58</sup>

Some civilians too became powerful through the influence that access to state revenue flows gives. These included the big-hitters, such as Ashraf Ghani, former interior and now acting foreign minister Hanif Atmar and former head of the NDS Rahmatullah Nabil. The three previously worked in the aid sector (NGOs, the World Bank or the United Nations), a common route for non-factional, ‘technocratic’ civilians to enter the elite. One can also see a second-tier of bureaucrats and technocrats who have benefitted from the rentier economy and a ‘class’ of female politicians who are members of commander families. Presented as symbols of progress on women’s rights, they owe at least some of their rise to their rentier connections.

## RENT AND ‘BUSINESS’

It is also not only office holders who have benefitted from the rentier state, but individuals and private companies through military or civilian contracts, as well. Yet, in a country where state positions and business enjoy synergy, it is no surprise that company owners are typically well-connected to the state, to MPs or provincial council members. Especially when relatives are considered, the web of state positions and rent-related business interests among the elite is dense, and the difference between ‘state’ and ‘non-state’ blurred. One illustration of this would be the highly-lucrative private security companies that previously provided security and logistics to the foreign military. Close relatives of major political figures owning such companies included Hamed Karzai, Abdul Rahim Wardak (defence minister 2002–12) and three mujahedin factional leaders: Marshal Fahim (also defence minister 2001–04, deputy chair of the transitional administration, 2002–04 and vice president 2009–14), Abdul Rab Rasul Sayyaf (MP) and Sebghatullah Mujaddedi (president 1995 and senate speaker 2005–10).<sup>59</sup>

When it comes to making money, rentier state theory posits the creation of, in Beblawi’s words, a “specific mentality: a rentier mentality” because the relationship between work and reward is broken. In Afghanistan, that shift does appear to have taken place. Among the rentiers, a sense of entitlement is often on view, for example, in the aftermath of the largest, single, rent-related scandal of the last 20 years, the collapse of the Kabul Bank in 2011. The bank had paid out almost one billion dollars in fraudulent loans to 19 individuals

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58 Deedee Derksen, ‘Non-State Security Providers and Political Formation in Afghanistan’, Center for Security Governance, 2016, 11, [https://secureservercdn.net/166.62.111.84/cc4.7c6.myftpupload.com/wp-content/uploads/2016/11/CSG\\_Paper\\_3\\_NSSPs\\_in\\_Afghanistan\\_March\\_2016.pdf](https://secureservercdn.net/166.62.111.84/cc4.7c6.myftpupload.com/wp-content/uploads/2016/11/CSG_Paper_3_NSSPs_in_Afghanistan_March_2016.pdf).

59 See also van Bijlert’s analysis of the business elite, using data from the 2011 elections to the executive board of the Afghan Chamber of Commerce: “The backgrounds and business interests of the ACCI board members provide an overview of where money can currently be made and influence peddled: banking, construction, oil and gas, trade (mainly import of consumer goods, fuel and construction materials). Much of this is related to the international presence, which has allowed newcomers to rise to prominence and in some cases outflank the more established businessmen. A case in point is the election of the head of the Transport Committee, Ajmal Rahmani, a young Bagram contractor and son of Parwan MP Rahman Rahmani.” Martine van Bijlert, ‘Afghanistan’s business elite has its own election, Afghanistan Analysts Network, 23 November 2011, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/afghanistans-business-elite-has-its-own-election/>.

and companies, most of them bank shareholders and including the brothers of then President Karzai and Vice-President Fahim. The funds used had mainly been deposited by international donors, including from the US for security services and civil service wage bills. In 2013, after a special tribunal had issued various verdicts, AAN wrote:

*When they speak, the shareholders and borrowers express a sense of being unfairly treated: all they did was follow the unwritten rules of the game of wealth and power. Because if one thing has become clear in this saga, it is that there is a group of people – spread throughout the business community, the political elites and all branches of government – who find it completely normal that their connections and wealth earn them all kinds of privileges, including gifts, donations, shares, campaign contributions, and loans that they did not expect to repay.<sup>60</sup>*

At the same time, the mood of the excluded also appears to have undergone a shift. In the early years of the intervention, people were shocked by the behaviour of the new administration and the sudden deep and invasive corruption, as one man in Kabul told me in 2006: “The officials suck your blood. Even governors take bribes just for doing something legal.” This sense of outrage was eventually transformed into a weary resignation about the new reality.<sup>61</sup>

## 5.2 AFGHANISTAN’S PARALLEL POLITICAL SYSTEM

The particular character of the Afghan rentier state that has developed is one with rival clusters of power based on access to rent, client-patron relations and often also solidarity networks. Whoever is in the Palace is the patron par excellence, but never the hegemon. The elite, although remarkably unchanging in terms of its members, is characterised by ‘churn’. This comes into focus especially ahead of presidential elections when the various familiar actors back candidates in alliances which form, shift and often break up, and an opponent can easily transform into an ally. Even during elections, there is little “truly political debate,” to use Luciani’s phrase. There is also no political opposition, in terms of a party out of power which criticises and tries to hold the government to account and

60 Martine van Bijlert ‘The Kabul Bank Tribunal: An exercise in containment’, Afghanistan Analysts Network, 9 March 2013, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-kabul-bank-tribunal-an-exercise-in-containment/>. See also ‘Thematic Dossier XIII: Still (not) dealing with the Kabul Bank scandal’, Afghanistan Analysts Network, 3 October 2016, <https://www.afghanistan-analysts.org/en/dossiers/thematic-dossier-xiii-still-not-dealing-with-the-kabul-bank-scandal/>, which brings together all of AAN’s reporting on the Kabul Bank.

61 The quote is from a series of interviews I did with Kabulis about their memories of the Taliban in 2006. Virtually every interviewee turned my question around, using it to express his or her disgust with the government. After the first tranche of interviews, I decided to go to west Kabul to see if Hazaras, who had been marginalised and in some cases targeted by the Taliban, might remember them differently. They did not: the man quoted in the text, an elderly resident of Pul-e Surkh, went on to say: “The Taliban beat women and there were restrictions, but at least there was no bribery.” Interviews for Channel 4 News, January 2006, no URL, transcripts with author. SIGAR has also reported “numerous international and Afghan reports” indicating that “the scale of corruption in the post-2001 period has increased above previous levels.” It suggested that Afghan society has shifted in how it views corruption from, for example, stigmatising bribes to tacitly condoning them. SIGAR, ‘Corruption in Conflict’, 6 [see FN 17].

hopes to get back into office itself. Viewed through an ideological lens, the alliances appear quite random. They make sense only when viewed as attempts to put winning ‘vote banks’ together, and with thoughts focussed on rent allocation during the next presidential term.

Isar’s description of the state having to bargain with ‘powerful non-state actors’, therefore, rings true only to a certain extent. Karzai certainly had to bargain with figures like Qasim Fahim, Gul Agha Sherzai and Ismail Khan, men who before 2001 had built up significant regional political, military and economic control and became powerful officials with huge economic interests, thereafter. Such bargaining has continued during the Ghani administrations. Yet, all such actors have kept joining, leaving and re-joining the state, in terms of holding government positions. With the exception of the Taleban, and Gulbuddin Hekmatyar before 2016, there are few real non-state actors in Afghanistan.

Thomas Ruttig has written of the emergence since 2001 of a “parallel, non-constitutional political system” where, he wrote “the real political perks are distributed.” It was built up by President Karzai around his ‘kitchen cabinet’ of close officials and advisors and the unofficial Advisory Council of Jihadi Leaders. With the advent of the National Unity Government in 2014, Ruttig wrote, the system only partially changed, with ‘the Palace’ (Ashraf Ghani and his inner circle) continuing to play a central role in decision-making, including through appointed councils such as the Development Council. It is to the individuals within this parallel system, Ruttig wrote, that “positions of power and access to resources are distributed.... The armed Islamist parties dominate.” The system, he said, is not even “superficially legitimised in any democratic sense.”<sup>62</sup>

After the last round of disputed elections and deal-making, the system feels more ‘stuck’ and less democratic than ever. Fewer citizens turned out to vote in the September 2019 presidential election than in any previous ballot. Not even one-fifth of registered voters went to the polls, whether because of Taleban threats or because, as Ruttig put it, “they appeared to wonder why they should bother. They faced a choice between two frontrunners who have been the incumbents of an uneasy quasi-coalition government in which they have largely paralysed each other.” The election showed how deep the malaise now runs, as Ruttig went on to describe:

Between Ghani and Abdullah, no new political forces or faces have been able to emerge. Indeed, it feels like there is no breathing space for newcomers; potential young leaders are simply co-opted, and the old guard, the surviving mujahedin leaders (‘warlords’) remain as influential as ever.... Afghanistan is looking more like an oligarchic than a democratic system.<sup>63</sup>

The agreement signed by Ashraf Ghani and Abdullah Abdullah on 17 May 2020, that resolved their dispute over who won the election, was focussed on appointments, with an arrangement to share them 50:50. The deal also created two new, extra-constitutional bodies with positions for supporters and power-brokers. Former president Karzai and other non-elected politicians have emerged from the crisis stronger and the role of jihadi

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62 Thomas Ruttig, ‘Outside, Inside: Afghanistan’s paradoxical political party system (2001-16)’, Afghanistan Analysts Network/Konrad Adenauer Stiftung, 2018, <https://www.afghanistan-analysts.org/wp-content/uploads/2018/05/20180506-KAS-AAN-TR-Afghanistans-paradoxial-pol-party-system.pdf>.

63 Thomas Ruttig, ‘Afghanistan’s 2019 Elections (30): Final results... and parallel governments?’, Afghanistan Analysts Network, 19 February 2020.

leaders has, for the first time, been “formally institutionalised.”<sup>64</sup> The agreement appears to have cemented non-democratic power-sharing among the elite still further.

## COULD OUTCOMES HAVE BEEN DIFFERENT?

Almost twenty years after the regime change of 2001, a significant question is whether Afghanistan could have developed differently. It is without doubt true that the magnitude of the rent coming to Afghanistan would have deterred the development of a democratic state, whoever had been the beneficiary: military or civilian, one ruler or many. The Bonn vision was simply not compatible with a rentier state, at least one that did not start with democratic institutions and a history of representative government. A somewhat alternative scenario is possible to imagine, however, where on-budget aid and military spending had been channelled to one person: that leader could then, potentially, have used the rent to consolidate his power. Paying off and co-opting the/other men of violence would still have been necessary, but his hand would have been much strengthened by a monopolistic control on the rent. Yet the hegemon scenario is not particularly attractive either. Afghanistan’s multi-player rentierism has at least meant the country has retained the formal structures of a democracy. A dominant strongman would also have been far less amenable to NGOs organising or a relatively free press reporting, including on government mistakes and corruption.

The particular character of the rentier state that has emerged in Afghanistan has two other aspects which will be looked at in more detail: an uneven distribution of rent and the relative lack of accountability to donors.

## 5.3 DISTRIBUTING THE RENT ... OR NOT

A clear difference between the post-2001 Afghanistan and the Middle Eastern oil-producing states is that even the most authoritarian, such as Saddam Hussein’s Iraq and Mu’ammar Qaddafi’s Libya, have been far more distributive than the post-2001 Afghan state has been. Part of the classic rentier state deal between state and citizen is that those in power distribute a share of the external rent through social programmes such as food subsidies, jobs, social housing and basic or even good-quality health and education. This is done in exchange for citizens letting the top tier accumulate extreme amounts of wealth and spending it ostentatiously.

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64 See Ali Yawar Adili, ‘End of the Post-Election Impasse? Ghani and Abdullah’s new power-sharing formula’, Afghanistan Analysts Network, 20 May 2020, <https://www.afghanistan-analysts.org/en/reports/political-landscape/end-of-the-post-election-impasse-ghani-and-abdullahs-new-power-sharing-formula/>.

There are no ready statistics with which to measure the distribution of rent in Afghanistan or compare it with distribution in the oil-producing countries.<sup>65</sup> Even so, the classic rentier state deal on distribution is not evident in Afghanistan at all. Worsening poverty for the majority has been statistically measured, while extreme wealth accumulation by the elite – Afghan officials, MPs and other political figures and their relatives and friends, including well-connected business people – is also manifest. The scale of state revenue capture by private individuals can be seen, for example, in the occasional but steady stream of reports on capital flight, such as the November 2019 investigation into Afghan officials and their relatives buying luxury properties in Dubai<sup>66</sup> or a leaked 2009 US embassy cable that described “wealth extraction” from the country, with “drug traffickers, corrupt officials, and to a large extent licit business owners” moving assets out. It gave as an example then Vice-President Ahmad Zia Massud taking USD52 million in cash on a flight from Kabul to Dubai that year. “Many other notable private individuals and public officials,” the cable said, “maintain assets (primarily property) outside Afghanistan, suggesting these individuals are extracting as much wealth as possible while conditions permit.”<sup>67</sup> In 2010, Afghan investigators raiding the New Ansari Money Exchange said they estimated it had moved USD2.78 billion out of Afghanistan between 2007 and 2010 allegedly on behalf of “Afghan government officials, drug traffickers and insurgents.”<sup>68</sup>

At the other end of the social scale, looking at the distribution of rent through public goods, post-2001 achievements in development can certainly be listed (even though all reported success needs to be taken with a pinch of salt<sup>69</sup>): the many more Afghans

65 Possible ways to compare would include using national budget tables. However, before the reformed 1397/2018 budget, Afghan Ministry of Finance budget figures were not robust. See Clark and Byrd, ‘2018 National Budget’ [see FN 20]. Other metrics, for example tax declarations, are equally poor or distorted. It would be possible to calculate the cost of government services actually reaching people, both rural and urban and especially the poor, and compare it with the money spent. However, this has not been done. Moreover, even if such figures existed, they would have no international comparative framework to fit into.

66 Jessica Purkis/The Bureau of Investigative Journalism, ‘Investigation Uncovers Afghan Pols’ Secret Dubai Mansions’, *The Daily Beast*, 4 November 2019, <https://www.thedailybeast.com/investigation-uncovers-afghan-pols-secret-dubai-mansions>. Afghans have also been reported as among the largest property buyers in Turkey at least since 2014. See, for example, ‘Turkey housing market sees 1.35 m in sales in 2019’, *Hurriyet Daily News*, 15 January 2020, <https://www.hurriyetdailynews.com/turkey-housing-market-sees-1-35-mln-in-sales-in-2019-150982>.

67 ‘Afghanistan: Capital Flight and Its Impact on Future Stability’, US embassy cable from Ambassador Karl Ikenberry, sent 19 October 2009, published by *The Guardian*, 2 October 2010, <https://www.theguardian.com/world/us-embassy-cables-documents/230265>.

68 SIGAR, ‘Corruption in Conflict’, 43–4, [see FN 17].

69 For example, on education, continually touted as a post-Taliban success, a 2015 investigation found ‘ghost schools’, and others where buildings were paid for but never completed, the misuse of and missing resources, crooked text book contracts, some staff unaccountably paid extra (up to USD17,000 per month) and scholarships awarded improperly. Former minister Faruq Wardak and 15 heads of provincial education departments were accused of malpractice, according to a member of the investigating commission. For details, see Ali Yawar Adili, ‘A Success Story Marred by Ghost Numbers: Afghanistan’s inconsistent education statistics’, *Afghanistan Analysts Network*, 13 March 2017, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/a-success-story-marred-by-ghost-numbers-afghanistans-inconsistent-education-statistics/>. Wardak was also one of the officials named as buying luxury property in Dubai in the *Daily Beast* article previously mentioned in this report. In 2017, he was appointed minister of parliamentary affairs.

with access to basic healthcare and education; marked reductions in child and maternal mortality; roads and schools built and; distribution of some rent to communities through programmes like the National Solidarity Programme (NSP). However, compared to the very large sums received, the amount actually distributed appear tiny.

Evidence of the many ways government spending passes directly into private hands is widespread, via ghost schools, teachers, police, soldiers or pensioners, ie that exist only on paper but are paid for anyway. It also happens through crooked contracts, development projects that are never completed or are sub-standard but pay out to contractors each year, or the substitution of poor for good-quality goods and services or simply not supplying them at all. One economist working at the Ministry of Finance in 2017 gave AAN a rough breakdown of how he thought the development budget was spent: 40 per cent simply goes astray, 30 per cent is spent on what it was intended for but with political bias steering it to certain beneficiaries, and possibly 30 per cent is spent on what was intended without bias.

Barma found low levels of rent distribution typical of countries like Afghanistan, which she classed as ‘clientelist rentier states’, where patron-client relations dominate and “some degree of political competition takes place but usually ... on the basis of extensive patron-client networks.” In such countries, she wrote:

*Some public goods are provided to mobilise and reward supporters, but they tend to be particularist in nature instead of more broadly enhancing collective welfare. Time horizons are short because politics are relatively unpredictable and there are low degrees of institutionalisation, accountability and constraint on power.<sup>70</sup>*

The limited and siloed use of public goods to reward clients and supporters, as described by Barma, is evident in Afghanistan. So too, is the short-term outlook of those in power, which is exacerbated by the uncertainties of the conflict. See, for example, as we reported in 2018, MPs’ reactions to a budget drafted to restrain spending because of falling aid: parliament only passed it after MPs were ‘given’ projects, as usual.<sup>71</sup> Rent may be pursued even when it undermines the wider personal or collective interests of those with power; for example, senior army and police officers selling ammunition or food rations or collecting the salaries of ghost soldiers or police even when this increases the strength of the insurgency and the vulnerability of the state and their positions within it.<sup>72</sup>

70 Barma, ‘The Rentier State’, 260 [see FN 11]. Barma described other sub-types of rentier state: those in patrimonial settings where “political authority tends to be individualised, often resting on a hierarchy of cronyism, and unrestrained leaders”; those in hegemonic settings where “an uncontested, institutionalised political force or one-party regime provides a relatively peaceful order and some degree of public goods for society” and those in pluralist settings where “political elites compete in elections on the basis of programmatic commitments to collective welfare enhancement, with an emphasis on society-wide public goods provision” (pages 259–61).

71 Kate Clark, ‘2018 Afghan National Budget 2: Deals done with MPs to get budget through parliament’, Afghanistan Analysts Network, 26 March 2018, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/2018-afghan-national-budget-2-deals-done-with-mps-to-get-budget-through-parliament/>.

72 For an analysis of corruption and criminality in the Ministry of Interior, see Kate Clark, ‘Reforming the Afghan Ministry of Interior: A way to ‘tilt’ the war?’, Afghanistan Analysts Network, 9 June 2017, <https://www.afghanistan-analysts.org/reforming-the-afghan-ministry-of-interior-a-way-to-tilt-the-war/>.

The majority of Afghans have seen enduring poverty even while the elites have enriched themselves. However, even if the distribution of rent had been greater and more even in Afghanistan, the core problem of trying to build democratic accountability would have remained. Rent distribution in a rentier state always acts more like a bribe to the citizenry or portions of it than as a response to demands for collective accountability.

## 5.4 ACCOUNTABILITY TO DONORS ... OR NOT

While Afghanistan's foreign backers have, in general, had enormous influence on policy making, they have been less successful than they feel they ought to be in holding the recipients of aid and military support to account. Forsberg wrote that "International support – financial, political, and military – is kingmaker in Afghanistan," but

*the international community either did not understand the political ramifications of its actions, or did not have the will to use its resources to stabilize local politics. In addition, international forces and development funding were deeply dependent on local actors for logistical and intelligence support. As a result, international support could be effectively manipulated.*<sup>73</sup>

Yet there are other factors in the failure of international powers to hold Afghan administrations to account. The profusion of actors directing civilian aid and military spending appears to have weakened leverage. The many countries, civilian donors and military commanders have had a variety of aims that may be contradictory, even when coming from the same country or even the same agency. Examples include the US raising militias to fight 'terrorists' while at the same time supporting efforts to get rid of militias through Disarmament, Demobilisation and Reconciliation (DDR) programmes, and attempts by US anti-corruption, law-enforcement and counter-narcotics agencies to hold particular individuals to account and finding they cannot do so because they are protected by the CIA or other parts of the US state. As Barnett Rubin commented in regards to the New Ansari investigation of 2009, "One part of U.S. policy corrupted Afghan officials while other parts tried to investigate and root out corruption. Given the interest that defined the mission, concerns about corruption did not trump those of covert action."<sup>74</sup> Different embassies and governments have also had their own 'favourites' among the elite, men supported because they were useful, and so their corruption or abusive behaviour was

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73 Forsberg, 'Politics and Power', 22, [see FN 53].

74 Rubin was writing about Karzai aide and alleged CIA asset Muhammad Zia Salehi, who was arrested in 2009 after being caught soliciting a bribe in exchange for obstructing the investigation into the New Ansari Money Exchange. He was swiftly released to the anger and dismay of Afghan and American investigators. See Barnett Rubin, 'What I Saw in Afghanistan', *The New Yorker*, 1 July 2015, <https://www.newyorker.com/news/news-desk/what-have-we-been-doing-in-afghanistan>. See also: Dexter Filkins and Mark Mazzetti, 'Karzai Aide in Corruption Inquiry Is Tied to C.I.A.', *The New York Times*, 25 August 2010, <https://www.nytimes.com/2010/08/26/world/asia/26kabul.html>. Another example of what SIGAR called "the perceived tradeoffs between security, stability, and accountability" would be how different arms of the US state dealt with Ahmad Wali Karzai. See footnote 58.

overlooked.<sup>75</sup> Often also, foreign powers have sought technical solutions to problems, ignoring their political or economic basis, for example, training judges in human rights and anti-corruption, rather than looking at why or how they are able to take bribes.

Fundamental to the inability of donors to hold Afghan institutions to account is that they have kept funding Afghanistan and supporting it militarily no matter how badly they thought money was spent or, especially under Karzai, how insulting (even if sometimes with good reason) the primary recipient was. Afghans have never been persuaded that foreign money would dry up because they have looked to donors' behaviour, rather than their rhetoric, to understand their intentions. Rarely has the threat to withdraw support been acted upon. Indeed, recent events have demonstrated this, yet again.

On 23 March 2020, US Secretary of State Mike Pompeo announced the US was "immediately" cutting its aid to Afghanistan by USD1 billion because of the inability of the two men claiming to have won the 2019 presidential election, Ashraf Ghani and Abdullah Abdullah, to "agree on an inclusive government." That "leadership failure," said Pompeo, posed "a direct threat to U.S. national interests."<sup>76</sup> Even then, however, Pompeo appeared to row back his threat the following day, telling reporters he was still hopeful the two rivals "will get their act together" and the US "won't have to" cut the assistance.<sup>77</sup> Two months later, shortly after the two men signed their power-sharing deal on 17 May, it transpired the one billion dollars had never actually been cut. It seems the State Department thought the cut had been made, but the Department of Defense never carried it out, worried as it was about the impact on the ANSF's ability to fight.<sup>78</sup> As Reuters caustically reported, there may have been "some disconnect between the State and Defense Departments."<sup>79</sup>

Yet again, an attempt to use financial support to change behaviour failed, partly because of lack of agreement within the donor country. Also, however, Ghani's response to the 'cut' was to not really take it seriously; he asserted it would "not have a direct impact on our key sectors."<sup>80</sup> This was manifestly not the case, as the sum was about a fifth of the government's 2020 budget of USD5.5 billion. Moreover, Ghani's words came in the wake of last year's disastrous stagnation in domestic revenues and the inevitability that they will

75 The multiplicity of foreign supporters, with different priorities and clients in the Afghan state also "shatters the client state's monopoly on the flow of political patronage and creates confusion, contradiction, and redundancy in day-to-day governing, as well as opportunities for local actors to strategically play one organization off against another." Noah Arjomand, 'The Folly of Double Government: Lessons from the First Anglo-Afghan War for the 21st Century', Afghanistan Analysts Network, 2005, 5, <https://www.afghanistan-analysts.org/afghanistan-anti-corruption-institutions-too-many-and-with-too-few-results>

76 'On the Political Impasse in Afghanistan', press statement by Michael R Pompeo, US Department of State, 23 March 2020, <https://www.state.gov/on-the-political-impasse-in-afghanistan/>.

77 'U.S. threatening \$1 billion aid cut to Afghanistan despite coronavirus outbreak fears', CBS News, 24 March 2020, <https://www.cbsnews.com/news/afghanistan-pompeo-us-threatening-1-billion-aid-cut-despite-coronavirus-outbreak-fears/?ftag=CNM-00-10aab6a&linkId=84927598>.

78 WhatsApp conversation with a source familiar with the policy discussion, who asked for confidentiality, 19 and 20 May 2020.

79 Arshad Mohammed, Jonathan Landay and Idrees Ali, 'U.S. has not cut Afghan security funds despite Pompeo vow of immediate slash – sources', Reuters, 20 May 2020, <https://uk.reuters.com/article/uk-usa-afghanistan-funds-exclusive/exclusive-u-s-has-not-cut-afghan-security-funds-despite-pompeo-vow-of-immediate-slash-sources-idUKKBN22W314>.

80 'Reduction in Aid Will Not Affect Key Sectors: Ghani', TOLO news, 24 March 2020, <https://tolonews.com/afghanistan/reduction-aid-will-not-affect-key-sectors-ghani>.

weaken still further this year. Good winter snowfall and spring rains should bring good harvests, but the coronavirus pandemic will have consequences too; even if the country is spared mass casualties from the disease, it has already caused borders to be closed and cities to be locked down. Still, as Karzai repeatedly did, Ghani has successfully faced down American threats to cut funding if behaviour did not change.

The way aid to Afghanistan has kept coming is especially remarkable given that it is more dependent on the goodwill of donors than revenues from straightforward commercial transactions, when foreign customers need or want to buy a country's oil, diamonds, gold or timber. The desire not to walk away from Afghanistan has been great, motivated partly by the size of the 'investments' made, both financially and in soldiers' lives. The fear of state collapse and the return of the Taleban and their international jihadist allies also appears to have stood in the way, until now, of carrying out threats to cut or withdraw support to Kabul.

## 6. WHAT HAPPENS WHEN THE RENT DRIES UP?

“A state structure,” wrote Luciani in 1987, “will tend to be stable in history if it commands the necessary resources to guarantee its own survival.”<sup>81</sup> Until now, the resources coming into Afghanistan have proved reasonably stable. They have enabled a strangely static political system. The elite is made up of a limited set of well-known figures who shift in and out of state positions. There is a sprinkling of newcomers many of whom are younger relations of existing members. Jobs in government and opportunities in business are well-networked, with both state and economy reliant on rent. Meanwhile, the Taliban controls or influences much of the ‘hinterland’ and have their own rent-dependency. Yet, Afghanistan cannot be said to command the resources that sustain it; its economy and state are dependent on the continuing largesse of other countries and their desire to send armies to its territory.

Unfortunately, history gives many instances of rentier states failing when foreign income dried up, whether that was falling revenues from silver mines in imperial Spain’s American colonies leading to its decline as a world power<sup>82</sup> or the bloody example from Afghanistan’s own recent history. After Russia stopped funding Dr Najibullah’s PDPA government in 1992, the state collapsed and a fresh round of bitter internecine fighting caused, in Kabul alone, the deaths of tens of thousands of civilians and a third of the city to be destroyed. As Barnett Rubin has pointed out, the current administration is even more dependent on foreign aid than Najib’s was (75 per cent foreign funding of the current government’s budget compared to 26 per cent of Najib’s).<sup>83</sup> Any sudden end to the current aid and military spending would also likely to be catastrophic.

Yet, changing anything fundamental while foreign income sustains the Afghan state has, so far, proven impossible. Some within government have certainly tried to pursue a deliberate, painstaking policy aimed at effecting gradual change. This would seem to be Afghanistan’s best hope of reducing the rentier effect, by diminishing the country’s reliance on foreign money, raising more of its own revenues and trying to establish a

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81 Luciani, ‘Allocation vs. Production’, 66 [see FN 4].

82 Sixteenth century Spain became the greatest power in Europe because of rent accruing from taking silver from its colonies. However, that dependence on rent, historical economists believe, led to a consolidation of Spain’s absolute monarchy and a reduction in checks and balances on the Spanish state, ultimately making it less effective. In the long-run, Spain’s economy stagnated and when rents eventually fell, other countries with more diverse and productive economies overtook Spain and rose to dominance. See Mauricio Drelichman, ‘All that glitters: Precious metals, rent seeking and the decline of Spain’, *European Review of Economic History* 9, issue 3, December 2005, 313-36.

83 Barnett Rubin, ‘An Ailing America Must Not Abandon Afghanistan’, *Foreign Policy*, 20, March 2020, <https://foreignpolicy.com/2020/03/26/afghanistan-aid-taliban-ailing-america-must-not-abandon/>.

‘fiscal contract’ with its citizens, and making government more accountable. ‘Reformist’ officials have, however, found it difficult to get lasting traction or have been blocked. Was it coincidence that the officials at the Ministry of Finance responsible for slimming the 2018 budget, making it more transparent and increasing government revenues (referred to earlier in this paper) were among those who have been moved on in 2018–19,

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**...the prospect that the rent will, at best, eventually decline and, at worst, end abruptly has had almost no effect on the behaviour of Afghanistan’s political elites.**

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in what USIP’s William Byrd called an “extraordinary rate of turnover in senior Finance Ministry staff”?<sup>84</sup> The “adverse effects” of this upheaval, Byrd wrote, included the stagnation in revenue collection and the possible “diversion of government revenues.”<sup>85</sup> Those attempting to bring about reforms, including senior officials, have discussed in private with AAN the difficulties they face, for example, in ensuring taxes and customs go to the government, or wages or pensions go to actual workers and beneficiaries and not to ‘ghosts’. Many have spoken of pressure, including death threats to themselves and their families if they do

not desist from threatening vested interests.

For the most part, the prospect that the rent will, at best, eventually decline and, at worst, end abruptly has had almost no effect on the behaviour of Afghanistan’s political elites. On paper, at least, Ghani is aware of the problems and what could be the solutions, as his ‘Realizing Self-Reliance’ government policy document presented shortly after becoming president in 2014 made clear.<sup>86</sup> However, what actually happened after the National Unity Government was formed was that the two camps, Ghani’s and Abdullah’s, failed to cooperate despite the economic crisis caused by the withdrawal of most foreign soldiers and accompanying massive reduction in military spending, and a resurgent Taliban which

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84 Byrd says that after the finance minister was replaced in July 2018, there have been three deputy ministers of revenue and customs, three deputy ministers of administration (a position that is currently vacant), and three deputy finance ministers; (probably) three chiefs of staff; changes of directors-general for treasury, budget, public-private partnerships, administration, internal audit (twice), customs, revenue, state-owned enterprises, policy implementation (a post currently vacant), and policy coordination, and “many changes” at the director level. Byrd, ‘An Essential’ [see FN 23].

85 Byrd ‘An Essential’ [see FN 23]. Byrd also warned in March 2020 that the government was “eviscerating the [finance] ministry—carving out key constituent parts, putting them directly under the presidential palace, and gravely weakening one of the country’s most effective institutions.” William Byrd, ‘Dismembering Afghanistan’s Ministry of Finance’, USIP, 31 March 2020, <https://www.usip.org/publications/2020/03/dismembering-afghanistans-ministry-finance>. After Byrd’s report was published, the ‘dismemberment’ was swiftly revoked. See Rohullah Arman, ‘Ghani Rescinds Order to Divide Finance Ministry’, TOLO News, 6 April 2020, <https://tolonews.com/business/ghani-rescinds-order-divide-finance-ministry>.

86 Islamic Republic of Afghanistan, ‘Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership’, December 2014, <https://www.afghanistan-un.org/wp-content/uploads/2014/12/REALIZING-FINAL-SELF-RELIANCE-25-November-2014.pdf>.

was busily capturing territory. Instead, the two camps spent long months in the autumn of 2014 and through 2015 making appointments, in effect negotiating the distribution of rent-seeking opportunities, a dynamic that was to continue throughout the National Unity Government's term and beyond.

In 2016, a new American president who had earlier tweeted about ending US support to "people that hate us" took office.<sup>87</sup> Yet the rise of Donald Trump sparked no sense of foreboding among the elites that the good times might end. This last winter and spring since the disputed elections, all manner of threats, harm and uncertainty have hung over the country: the 2020 US-Taleban deal of 29 February that heralds the possibility of a full US troop withdrawal and a falling off of international interest and aid; a highly confident Taleban attacking government-held territory and security forces; coronavirus threatening the lives and livelihoods of civilians and; Pompeo's announcement of the cut to funding. Yet, it took long weeks and months for the two rival presidential contenders, with no apparent urgency, to sort out a division of power.

As for the Taleban, they have also made no proposals about how they expect to rule Afghanistan without the external rent. Taleban negotiators have said the US has promised aid after foreign troops are withdrawn; this, they said, was something they would welcome. "We have told them," Sher Muhammad Abbas Stanakzai told the Voice of America radio station in January 2019, "that after ending your military intervention, we will welcome U.S. engineers, doctors and others if they want to come back for reconstruction of Afghanistan."<sup>88</sup> The US did commission proposals from the World Bank to look at aid after a deal. However, officials in Washington told this author in 2019 that such support would be highly conditional and if the Taleban expected to 'walk into Kabul' as military victors, to rule exclusively or dismantle the civil and political gains of the post-2001 era, they could not also expect financial support. Other donors have also made this clear.

It may be that an intra-Afghan peace deal is reached, aid continues and international interest in Afghanistan is sustained into a new era. Even then, all the problems of the rentier state, the gap between the vision at Bonn and the constitution and what has emerged, would remain: the democratic deficit, the untouchability of those in power, inequality, poverty and corruption. The question would also still persist, of what happens to Afghanistan when the rent does eventually stop.

An alternative scenario is also all too easy to imagine, that the US withdraws military and financial support and 'walks away'. Indeed, President Trump has recently broken what had been the consensus in America on the unique danger posed by international Islamist violence: he downplayed the 9/11 attacks. The coronavirus "attack," he said, was "worse

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87 Tweet from @realDonaldTrump, 11 January 2013, quoted here: Kate Clark and Thomas Ruttig, "People That Hate Us": What can Afghans expect from President Trump?, Afghanistan Analysts Network, 11 November 2016, <https://www.afghanistan-analysts.org/en/reports/international-engagement/people-that-hate-us-what-can-afghans-expect-from-president-trump/>.

88 Ayaz Gul, 'Taliban: US to Help in Afghan Reconstruction After Troop Withdrawal', VOA, 30 January 2019, <https://www.voanews.com/south-central-asia/taliban-us-help-afghan-reconstruction-after-troop-withdrawal>

than Pearl Harbor ... worse than the World Trade Center.”<sup>89</sup> Although the official policy of supporting Kabul to prevent further attacks on the United States has not changed, the time may come when the strategic value of Afghanistan appears less important. It would only take a change in perspective in Washington, a re-evaluation of what actually threatens the national interest – China, Russia, or coronavirus – to make the re-establishment of al-Qaeda bases in Afghanistan, either on the back of a Taleban return to power or renewed civil war, seem less vital. If that were the case, the political system and economy built up since 2001 would suddenly appear very fragile indeed.

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89 BBC, ‘Trump says coronavirus worse ‘attack’ than Pearl Harbor’, 7 May 2020, BBC <https://www.bbc.co.uk/news/world-us-canada-52568405>. See also the latest report on President Trump’s apparent wish to withdraw US troops before the US presidential election in November 2020: Thomas Gibbons-Neff and Julian E Barnes, ‘Trump Wants Troops in Afghanistan Home by Election Day. The Pentagon Is Drawing Up Plans.’, *The New York Times*, 26 May 2020, <https://www.nytimes.com/2020/05/26/world/asia/afghanistan-troop-withdrawal-election-day.html>.

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