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Why did state-building efforts in Afghanistan fail?
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**DOLLAR:** Hi, I'm David Dollar, host of the Brookings trade podcast Dollar and Sense. Today, we are going to talk about Afghanistan, and we are very fortunate to have as our guest Professor Jennifer Murtazashvili, director of the Center for Governance and Markets at the University of Pittsburgh. She has a wealth of experience on the ground in Afghanistan studying governance and development, and that will be our topic. Welcome to the show, Jen.

**MURTAZASHVILI:** It's a great pleasure to be here. Thanks for having me.

**DOLLAR:** Afghanistan has been the recipient of a huge amount of foreign aid—about one quarter of the economy, GDP, in recent years—yet it seems to have had very little effect in terms of building a functioning state. So let's start with the big question of why so much aid had so little impact apparently.

**MURTAZASHVILI:** This is a great question, and I think it's the billion-dollar question for Washington especially. There's a couple of reasons for this. One is a reason that we know very, very well, and that's rentier effect.

So what is the rentier effect? The rentier effect is when you have a lot of income or resources from nonproductive sources. That is aid sometimes, but most often we associate this with oil revenue or natural resource revenue. The rentier effect, when you have these kinds of resources that come from nonproductive sources, it leads to a disconnect in accountability mechanisms. So governments no longer have to rely on citizens or generating economic activity for economic growth. They can look to others or they can look to an oil well—something that they don't have to consciously invest in that sort of keeps going on its own.

I think sort of the main driver of this is that the Afghan government really never had incentives to look to its own population as a source of revenue. It may sound really strange to say that because we think of Afghanistan as this really poor country with not a lot of money. Why should the government be taxing its citizens?

I've done a lot of research in rural areas, and I looked at how the informal governance system works in Afghanistan. One of the things I found there is that communities actually pay people to do things for them. They create informal governance systems and they will pay someone to lead their community. They will pay someone to manage their irrigation systems. And it may be a very small amount of money, but that money that they are giving to someone, they look over.

There was a sense of frustration for many Afghans who I worked with over the years about the aid industry. So this is how this rentier effect works in practice: they would see a lot of money coming in from the aid community, but they felt like they had no say over it. They felt like this wasn't their money; who could they complain to if something didn't work? When it was their five cents that they gave to a village elder, they watched that money like a hawk. The central government behaved in really imprudent ways. So I think the rentier effect explains one side of this.

The second part of this has to do with the governance structure inside of Afghanistan. Afghanistan actually has one of the most centralized governance structures in the world—and I don't want to be hyperbolic when I'm saying that. I mean that all power is concentrated in the center. There is no local decision-making on any meaningful issue. Although we think about Afghanistan as a democracy, there have been no officials elected at the subnational level who have any say over

anything dealing with money, resources, public goods provision, anything. All decisions are made in Kabul.

One of the reasons for this—and I'm actually working on a book on this topic right now with a colleague, Mohammad Qadam Shah—is that the international donor community came in and resurrected old bureaucratic regulatory institutions that came from the Soviet era. The public finance system is one really good example of this. All taxation finance issues were discussed at the central level and local communities had no say over where a clinic went or over where a school went. Everything was hyper-centralized, and this further undermined those accountability structures, led to massive amounts of corruption, and gave us the situation that we have today.

**DOLLAR:** That's very interesting what you are describing. Western donors talk a lot about governance, improving governance, and democracy promotion. How do those efforts interact with what you actually saw in terms of local governance?

**MURTAZASHVILI:** They didn't. There was a lot of window dressing and a lot of money was spent on technical aspects of this issue. So, okay, now Afghanistan has a public finance system. Well, everybody was in such a rush to leave for 20 years that the donors would say, okay, we are just going to rebuild the system that's there rather than rethinking what fundamental reform would look like and helping Afghans imagine a different kind of future.

So the donors came in and just sort of rebuilt these old systems because they were there. They were convenient. There was an old regulation from the monarchy that they could use or from the 1970s that was influenced by the Soviets. So you had the international donor community heavily involved in resurrecting these things. They treated governance as a technical issue rather than getting to the core political issues that needed to be dealt with.

A large consequence of that came from the Bonn Agreement in 2001 which brought the old constitution, which resurrected the 1964 constitution. Once that happened, it was really, really hard to find the political will to unravel because the Americans really like this idea of power being concentrated in the center and so did Afghan leaders. Who wants to give up control?

So the idea of democracy—yes, there was elections for a president. There were elections for a very, very weak parliament. There were elections for provincial councils, but these provincial councils, for example, had no power. They were dealing with governors at the provincial level who were appointed from Kabul.

Then you had provincial councils who had absolutely no mandate. They could not oversee what this governor was doing. They had no oversight authority over a local budget. There was no such thing as a local budget. So you asked people to participate, to organize, to show up for elections—they sacrificed their lives to show up for these elections—for very little accountability. For very little say over what actually happened.

To me, the great tragedy over the past 20 years is that people's expectations changed about what kind of government they wanted or needed, and the government they were given was not up to the task and didn't want to reform. I think we saw that very clearly. Ashraf Ghani, he actually moved to centralize things even more than Hamid Karzai.

**DOLLAR:** I can't help but conclude that these outside players, some of whom are well intentioned, really do not have enough understanding of the country, the culture, the institutions to actually contribute to the redesign of political institutions and improvements in governance. It does seem like a pretty hopeless effort.

**MURTAZASHVILI:** I think there are things that can be done at the margins, but ultimately what has to happen is a political deal. The one thing that does give me hope right now is that you are seeing a kind of political negotiation between the Taliban and different factions.

One of the reasons why I favored a withdrawal a year ago was because I felt like the U.S. effort crowded out these kinds of conversations that had to be had in order for there to be sustainable peace—that the longer the U.S. was there, the worse these governance outcomes were. People lost complete faith in the central government. That's why you saw the Afghan army collapse like it did because people had nothing to fight for. Of course, they could fight against the Taliban, but their alternative was this corrupt government in Kabul who nobody felt represented their interests. People lost complete faith in the central government. And once the donor support left, once the U.S. was gone, all of this was really laid bare. So it became impossible to ask Afghans to fight for an illegitimate government.

**DOLLAR:** So far we have been pretty negative about the delivery of Western aid and the impact. Looking at UN statistics, I notice there's a significant increase in life expectancy in Afghanistan. The number of children in school, especially girls, has gone way up. We have to be careful about statistics from a low-income country with a lot of instability. But I wonder, first, do you think some of that progress is at least real? Is it likely to be lost now, or is it perhaps an important foundation for the future?

I'll just say parenthetically, my own experience in this business, I feel like we often look for results from aid on a completely unrealistic timetable. So it's possible what's been achieved may have a payoff in 20 or 30 years in terms of making people's lives better, but maybe we don't see it in a five to 10 year time frame.

**MURTAZASHVILI:** I completely agree. Your question about investments and what works and what doesn't work is really hitting on the most important issue. I don't think that a lot of our technical assistance or a lot of the things I saw on the government side were particularly effective, but the most important kinds of assistance were in education. Those kinds of investments came from the international donor community but as well as from individuals themselves.

This is really something that I hope your listeners walk away with. We think Afghanistan is this country where people are completely dependent upon aid and, without aid, nothing will work. I saw a very different story. I saw a really entrepreneurial society. People who were hungry for knowledge, who were setting up private high schools, private schools. I'd go to villages where people didn't have a teacher or a functioning school and they would find someone four villages over and pay that person to come teach in their village. And they do this on their own.

There was such a hunger for knowledge, such a hunger for education, such an awareness that people wanted things to change. People were taking things into their own hands to make it happen. So what you have seen over the past 20 years is a huge change in society from the education that people have received.

In terms of life expectancy, I think one of the reasons we saw that statistic bump up is because the war stopped. When you stop fighting a war, life expectancy jumps up dramatically. But I think there has been some pretty significant losses in life expectancy over the past several years. Over the past six or seven years, much of the country has actually been displaced.

I know we are now paying attention to Afghanistan once again. We saw the cities collapse and we saw so much of the country collapse, but I did a study for the World Bank, the UN, and the British government—it was a joint study looking at northern Afghanistan at the beginning of this year, and just in northern Afghanistan alone, 30 percent of the population had been either internally displaced or migrated since 2013 due to conflict. So this has really kicked up over the past seven years. So if you have been paying attention to Afghanistan, watching these cities fall—maybe not as fast as they did—was no surprise. But there has been a massive humanitarian crisis there for many years.

**DOLLAR:** Obviously Taliban rule the first time around was very harsh, notoriously harsh. The Taliban seems to have become a little bit more media savvy. Now that they are taking over, they are saying that they will be more moderate, that girls will continue to be able to go to school, that women can work. Do you believe all of this? Do you think Western aid agencies are going to continue to be able to work with Afghanistan now that the Taliban is in charge?

**MURTAZASHVILI:** That's a really good question, and I don't think we know. I don't believe any politician until I see something written on paper. So I'm going to treat the Taliban just as I treat a politician in the United States: you say something, but let's see what you do, and let's see how you constrain yourself. The real question for any politician, any political system, is what restraints do people put on power? You can say that you are going to behave differently, but until we see something written that enshrines that, I don't believe you and I don't believe anyone.

They have made some progress in saying that girls can go to school and we are seeing girls go to school in Kabul and in other cities, but we are seeing these kinds of attacks on women. We are seeing a lot of variation. I think the Taliban came to power—they knew how to fight an insurgency, but they didn't know how to govern.

One of the other things that we are seeing, though, with this very savvy media campaign that they have used over the past several months is that they understand the grievances of citizens quite well. They understand what has upset people about the corruption. They have really almost micro-targeted this city by city. So pictures of them sitting in these palaces—they take over a warlord's palace or a governor's palace—when you see them sitting in there, that's a direct message to people: Look at the democracy that you had, look at what Western aid got you. We are going to give you something else.

They seem to understand the grievances quite well. Whether they can address them remains to be seen. They seem to understand what they did wrong last time around, but there's going to be a give and take between different factions within the Taliban. Some who are more extremist and some who resent the moderation that you are seeing from the leadership who have been hanging out in Doha and fancy hotels for the past couple of years. So, it remains to be seen how this will play out.

In terms of the aid, it's a really hard question, and it's a question, I think, that all of us have to think very seriously, ethically, about how we deal with this kind of situation. Organizations like the

World Bank have stop providing aid to the Afghan government. I think until we know what the government is in Afghanistan that makes sense. And, you know, the World Bank is not providing humanitarian assistance. That sort of long-term institutional support, I could see why the World Bank would pause that kind of assistance

On humanitarian aid, that's a different question entirely. But the international aid community has been providing aid to the Taliban over the past several years in communities that the Taliban have ruled, and that's created another dilemma. As the U.S. and others were fighting this counterinsurgency campaign, the political efforts to fight these insurgents, does this aid undermine that effort? Are you giving legitimacy by providing assistance to these communities knowing that they are controlled by your enemy? It's a huge question.

**DOLLAR:** Right. I mean, I think that's the trade-off. You are providing legitimacy to the government if you're providing aid. But if you can actually help people, if the Taliban can find a space where the assistance is actually getting through and helping people, then I think morally it's hard not to do.

**MURTAZASHVILI:** Exactly. But then you are giving legitimacy to a terrorist group, right? I mean, that's the rhetoric, and I think we just have to cut through it. There are many Afghans upset about this as well. So there's many, many voices on all sides of this, and there are really important moral discussions that we have to have.

**DOLLAR:** I want to talk a little bit about opium. It seems that a lot of Western involvement was aimed at trying to control or reduce the opium trade. Yet, Afghanistan apparently is the source of 80 to 90 percent of the illicit opium in the world. I guess the most important question is, going forward, is the Taliban likely to exploit that for resources or do we think we'll get that under control?

**MURTAZASHVILI:** Of course they will. I mean, they have been, and this has been a major source of their revenue. Now, of course, it's one of these areas where the international community would really like them to stop doing this. But unless they have aid, unless they have some kind of replacement for it, they are going to continue to do it because it's been such a boondoggle for them.

There are some countries that are more concerned than others. Actually, Russia is one that comes to mind. Surprisingly, a lot of the opium that comes out of Afghanistan goes to Russia and former Soviet countries. The Russian government has been more outspoken than others on this issue because so many of the opium heroin addicts are in Russia and they have actually identified this as a concern.

I don't think that the opium from Afghanistan actually affects the U.S. directly; it's more the European markets, but it's certainly a source of the economy there. No matter what they say about we are an Islamic government, we are going to control this, they haven't. They have profited from it handsomely.

**DOLLAR:** As the NATO forces withdraw, there's some speculation in the West that China will be the big winner in all of this other than the Afghan Taliban. China wants to pursue infrastructure projects as part of its Belt and Road. There's apparently some valuable mineral resources in

Afghanistan that could be exploited. Do you think China and the Taliban are going to be able to develop a functioning relationship?

**MURTAZASHVILI:** They do have a functioning relationship. In fact, Mullah Baradar, one of the Taliban leaders, was actually in Beijing just a couple of weeks ago. It was quite remarkable to see this Taliban delegation in Beijing. There's been—I wouldn't call it a strong relationship, but an understanding between the two.

I know there's a lot of discussion about Russia and China filling the vacuum of the United States. Afghanistan has not been part of the Belt and Road Initiative. They have not taken those loans from China. Obviously, I don't think they are probably a good steward of those loans anyway. If China wants to develop infrastructure in Afghanistan, it can provide the security to do it. I don't think that would hurt Afghanistan. But the minerals have been sitting there for decades and we have had these discussions. China has had a major copper mine that it's controlled but it's been plagued by major security concerns. And I don't think anybody—I don't think China is really going to be able to solve that problem. So I think a lot of these concerns about China stepping in to Afghanistan are quite overblown.

One other thing to remember is that the Taliban leadership has said publicly that it sees the issues of the Uyghurs in China—the Muslim minority in Xinjiang, in western China, that's been subject to this genocide. The Taliban has said that this is an internal issue to China. That was obviously seen as a compromise to China as a way for the Taliban to perhaps gain recognition from the government in China to see some kind of accommodation. There are many factions within the Taliban who don't agree with that decision.

There's a small group of Uyghurs extremist militants inside of Afghanistan. That's why China actually has this interest. China and Afghanistan do share a border. Russia doesn't share a border with Afghanistan, but China does, so they have a direct strategic interest in what's going on there. But I imagine if China had a really heavy hand inside of Afghanistan there would be domestic blowback from the Taliban, or factions, and ISIS. We have seen these groups quite active. We saw this terrorist attack in Kabul recently at the airport that was led by ISIS. We see that ISIS has a very strong presence inside of Afghanistan.

**DOLLAR:** So, Jennifer, I appreciate that you have emphasized at various points uncertainty. We don't really know what's going to happen next or where things will go. But I'd appreciate your speculation looking ahead 10, 20 years from now. I always like to end on an optimistic note. So, do you have optimism about where Afghanistan might go in 10 or 20 years? What are some of the things to look for?

**MURTAZASHVILI:** Absolutely. That's actually something that I wanted to talk about as we hear doom and gloom about the country. I'm so inspired, and I continue to be so inspired, by so many people in Afghanistan who have really taken their fate into their own hands over these past several years. And I really want to underscore this again, this issue of education.

Most of my work focuses on self-governance, and I'm very inspired by the work of Elinor Ostrom who won the Nobel Prize in Economics in 2009. Much of my work is modeled on her and her model and looking at how people solve problems when the government can't or won't. I've seen so much creativity in parts of Afghanistan that haven't been plagued by as much conflict as others where I've done field work over the years. I have seen entrepreneurs take things into their own

hands. I have seen the country over the past 20 years that I've been focused on it—just an economic turnaround, a social turnaround.

So the Taliban, I think, will have to be a Taliban 2.0. They will not be able to rule the same way that they did because people's expectations of the government have changed. Education has radically transformed society. Not just the cities, but also rural areas as well.

That's the reason I want people to be very clear about why that government collapsed is because people's expectations of it had changed. They were no longer content to be subjects of a remote government in Kabul who was just going to tell them what to do or take money or behave in a predatory manner. They wanted a seat at the table, and they weren't willing to fight and die for this model anymore. And when confronted with this Taliban who seemed able to understand some grievances, was promising a different way, was allowing soldiers to surrender without retribution, it made everything collapse very, very quickly. Not because the people supported the Taliban, because they lost hope in what they were told to fight for and what the international community told them to fight for.

So I see that the Taliban are going to have to moderate in order to govern the people that they have. Otherwise, they are going to have to rely on violent coercion. That's not going to help the Taliban raise revenue. That's not going to help the Taliban get foreign aid and all the things that the Taliban seems to want right now. They are going to have to moderate if they are going to effectively govern the people of Afghanistan. That's why I'm optimistic and I'm hopeful at this moment that we can see some kind of political accommodation. We are seeing factions talk to each other inside of Afghanistan that haven't spoken to each other in forever. To me, that gives me some hope.

**DOLLAR:** That's very encouraging, and it fits in with the idea that you can get a lot of good things happening on the ground. A lot of aid was obviously wasted in Afghanistan, so it would be nice if we could do the effective things and cut out the wasteful things. That may be asking too much from the aid business.

**MURTAZASHVILI:** Read SIGAR. SIGAR, the Special Inspector General for Afghanistan Reconstruction, there's been reports for a decade or more coming from that office. John Sopko, the special inspector general, take a look at what he's written.

Many people in Congress and in Washington didn't like what he had to say because he was criticizing the status quo. A lot of suggestions for how things could be made more effective, but really damning reports. We knew about this for a long time and we continued to do it. I really hope that in Washington there is some self-reflection on how we do things.

**DOLLAR:** I'm David Dollar and I've been talking to Jennifer Murtazashvili about Afghanistan. She shared her experiences on the ground with governance and development. And I think we've got a very complicated, mixed picture, but there's some positive things there that will hopefully bear fruit over a decade or two decades despite the large corruption and despite the overall failure of the mission. Thank you very much, Jennifer.

**MURTAZASHVILI:** Thank you for having me.

**DOLLAR:** Thank you all for listening. We'll be releasing new episodes of Dollar & Sense every other week, so if you haven't already, follow us wherever you get your podcasts and stay tuned.

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