



**Neo-liberal State-building and Displacement of the Afghan State**

By Dr Zubair Popalzai, Deputy Head of Research

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The post-Taleban state-building exercise in Afghanistan facilitated and led by the United States and, to a degree, sustained by the Europeans has been informed by an overwhelming emphasis on an enabling environment for the markets as opposed to the stability of the government. Huntington (1968) credits this historical trend in American foreign policy, which focuses more on trying to close the economic gap in 'Third World' countries than on the political gap on the assumption that doing so automatically leads to political stability and that 'all good things go together.' Thus, under this line of thinking, achieving one social goal (economic development and with it the elimination of poverty, disease, and illiteracy) would ultimately help to achieve other social goals i.e. political development and stability.

However, this paradigm has not really closed the economic gap. Despite the arguments based on Smith's concept of a commercial society where individual interests benefit the whole, market-centered policies have widened social and economic gap in Afghanistan. They have cultivated the seeds of social instability by leaving the socio-economic basis of political instability intact and even worsened. Poverty amidst plenty and the emergence of pockets of wealth have polarised socio-economic and political relations between and within Afghan communities and within the national political economy. From the outset, major Afghan policy documents such as the *National Development Framework* (2002) and *Securing Afghanistan's Future* (2004), for instance, proposed a state-building exercise, within the key modalities of private sector led economic growth, the role of the state as enabler, and community-based development which by creating a dichotomy between the economics and the politics depoliticised the very issue of state-building and rendered the much needed unitary and strong state in Afghanistan incapable of intervention both nationally and internationally. *Securing Afghanistan's Future* argued for a sum of \$28 billion as "an investment" by the international community in stability and peace building' over 7 years (p. 11) and was basically a technical document, driven by the 9 percent growth imperative with state-building as an issue of getting the economics right. It strongly supported the role of the market and emphasised its centrality to reconstruction and development and treated it on the basis of demand and supply transactions into which weak and poor nations like Afghanistan cannot necessarily enter freely and which are not necessarily mutually beneficial to both trading parties. It failed to note that the link between economic and political liberalization is not a compatible one and thus works against the effective protection of the lower classes and the disadvantaged.

The emphasis on the role of the markets and the GDP also missed the point that there is no objective correlation between economic growth and living conditions and that the two are distinct variables. An increase in economic growth does not necessarily translate into social well-being and poverty alleviation. The absence of an interventionist state has not only created accountability issues but it has also increased the already considerable gap among Afghans

pitting the poor cousin against the rich cousin. Emphasis on economic growth has not only failed to address the issue of equitable development but it has also dictated the need for importing goods and technical services from other countries, an exacerbation of the already low levels of human capacity. *Securing Afghanistan's Future* was largely silent about social welfare and labour institutions preferring to “[limit] the use of non-tariff measures (such as health, safety or environmental reasons (p. 71) to legitimate [trade regime] objectives.”

Formulated as Afghanistan's Poverty Reduction Strategy Paper (PRSP) albeit for a five and not three-year period, the subsequent Afghanistan National Development Strategy [ANDS (2008-2013)], which was written for the World Bank and the International Monetary Fund (IMF) did not fare any better. The third goal of the ANDS Prioritization and Implementation Plan (PIP) from mid 2010 to mid 2013 states clearly that poverty reduction and development will be based on a “private-sector-led market economy” (p. 1) without noting the growing economic gap between the poor and the rich and the resentment this gap has created within and among societies. The recovery that the ANDS envisioned by 2010 required that the social contract between the state and the society is re/established. However, today in 2013, Afghanistan not only continues to remain extremely poor with its communities fragmented, but the social contract between the state and the citizenry has also been further undermined by corruption and bad governance including economic governance which is contributing to the growing public resentment. There is, therefore, also need for economic growth that contributes to peace as opposed to enriching certain individuals benefiting from an unregulated and unbridled market.

Major policy documents have largely ignored the causes and legacies of war and discussions on war and politics in the process of a state-building largely informed by market economics and thus depoliticised. By depoliticising the very issue of state-building, any discussions on power and politics were rendered meaningless in the dominant neo-liberal economic discourse in the country. The fact that Afghanistan was a post-conflict state with a plethora of legacies of war called for a need for a strong state to tackle the elements of insecurity and establish itself before market-based liberalised economic growth could be achieved. Twenty-five years of war and internal turmoil destroyed most of the state machinery and depleted indigenous capacity, which Afghanistan has been unable to build in the past 13 years despite the mantra of capacity-building in the country. The government continues to be heavily dependent on foreign aid to initiate development projects and to run the state. The challenges of reconstruction and development in the context of a difficult security situation, a delicate process of political normalization, national reconciliation and a critical state-building agenda are still enormous. The institutional structures that underlie the markets and economic behaviour are not adequately developed to integrate the bulk of the population into meaningful and viable political and economic existence. Absence of effective state intervention in the economy has contributed to the patterns of inequality of the markets which are embedded in existing social and power structures. As Henderson and Appelbaum (1992, p. 19) note, the regulatory function of the state should be supplemented by its

ability to direct the economy and the economic actors i.e. companies etc. and thus constitute a “planned rational economy.”<sup>1</sup>

The donor aid agenda in Afghanistan has largely focused on alternatives to the state i.e. the markets and the civil society and embryonic political parties pursuing ethnic and factional interests, which led to fighting in the first place. Likewise, significant attention has been given to non-governmental organizations (NGOs) whose role in development is seen in terms of ‘comparative advantage’ of ‘flexibility’, ‘empowering’, and ‘grassrooting’. As most of the international aid has been disbursed outside of state accounts, the government is no longer accountable for reporting on the utilization of these funds and cannot provide accurate data on the amount of money that has been subcontracted by donors to NGOs, private companies and the United Nations. The response to state failure to provide adequate social services has been state substitution with the United Nations, NGOs and private security companies. The delivery of services by these groups has led to a higher cost structure and the creation of financially unsustainable and unaccountable practices and undermined state sovereignty and legitimacy. This is in addition to the emergence of parallel bureaucratic structures and issues related to unpredictability of aid flows due to different budget years.

## **Conclusion**

The state-building model in Afghanistan of a light enabling state and market mechanism largely ignored the context in which Afghanistan should have been placed. This model also ignored the reality of a highly uneven playing field in the local and global economies. The need for a strong state to provide security, ensure basic human needs and to put in place the necessary structures for a functioning market economy is evident more than ever. The long-term social stability of Afghanistan rests on a system that responds to the needs of the majority of the Afghans and not a select few who are often state actors but depend on and resort to non-state methods of operation.

Unless there is strong accountability of the markets to the state, some of whose actors now have a vested interests in the market, increase in GDP and economic growth through the free-markets will not necessarily deliver pro-poor distributional outcomes. If poverty is to be addressed, there is a need for policies and actions of the central state such as market regulation, land reform, public credit facilities, tariffs etc., which will ensure the inclusion of the poor in the growth/development processes. These interventions are important also to establish authority, secure the economy and ensure equitable growth. The interventionist role of East Asian states in the economy is a shining example. Absence of state intervention in the markets means that the

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<sup>1</sup> Richard P. Appelbaum, Jeffrey William Henderson, (eds) States and Development in the Asian Pacific Rim, (Newbury Park: Sage Publications, 1992)

way in which markets are deeply embedded in the existing social structures is ignored and it raises concerns about the accountability of the market to the state and ultimately to the society.

The operation of the current economic systems needs to be reoriented towards a model where genuine partnership of the sovereign equals becomes the aim of both national leaders and international actors. Bringing about this fundamental change will require agreement on the common goal of creating and bolstering national sovereignty of the state and allowing it to make independent decisions in the political, economic, development and security domains. On entering into this agreement, will all actors need to subordinate their existing processes, mental models and bureaucratic interests to the common objective and to the creation of a culture of collaboration. Market oriented policies with little to no role for the state can only result in 'Dollar Democracy' in which industrialists, financiers and big businessmen play the dominant role in line with their own interests. In such a democracy, in theory power is in the hands of the citizenry, but capital is the true sovereign.