BTI 2020 Country Report

Afghanistan

Status Index

3.21 # 123
on 1-10 scale out of 137

Political Transformation

3.28 # 118

Economic Transformation

3.14 # 122

Governance Index

4.36 # 89
on 1-10 scale out of 137
This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2020. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at https://www.bti-project.org.


This work is licensed under a Creative Commons Attribution 4.0 International License.

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner
Phone     +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann
Phone     +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz
Phone     +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp
Phone     +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de
### Key Indicators

<table>
<thead>
<tr>
<th>indicator</th>
<th>metric</th>
<th>value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>M</td>
<td>37.2</td>
</tr>
<tr>
<td>HDI</td>
<td></td>
<td>0.496</td>
</tr>
<tr>
<td>GDP p.c., PPP</td>
<td>$</td>
<td>1952</td>
</tr>
<tr>
<td>Pop. growth(^1)</td>
<td>% p.a.</td>
<td>2.4</td>
</tr>
<tr>
<td>HDI rank of 189</td>
<td></td>
<td>170</td>
</tr>
<tr>
<td>Gini Index</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>years</td>
<td>64.1</td>
</tr>
<tr>
<td>UN Education Index</td>
<td></td>
<td>0.413</td>
</tr>
<tr>
<td>Poverty(^2)</td>
<td>%</td>
<td>-</td>
</tr>
<tr>
<td>Urban population</td>
<td>%</td>
<td>25.5</td>
</tr>
<tr>
<td>Gender inequality(^2)</td>
<td></td>
<td>0.575</td>
</tr>
<tr>
<td>Aid per capita</td>
<td>$</td>
<td>104.8</td>
</tr>
</tbody>
</table>

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.20 a day at 2011 international prices.

### Executive Summary

In 2014, Afghanistan faced two major interconnected transformations. First was the withdrawal of most international troops. On January 1, 2015, the Afghan National Defense and Security Forces officially took over full defense and security related responsibilities in Afghanistan. Second was the first transition of power through elections in the history of the country. In light of the withdrawal of international troops, the new Afghan government was supposed to focus on developing effective policies related to military, economic and security aspects. However, the 2014 elections led to an increase in inter-party and ethnic tensions. The two leading presidential candidates, Abdullah Abdullah and Ashraf Ghani, were at loggerheads over the election results. Eventually, with the support of U.S. Secretary of State John Kerry, they agreed to share power and jointly formed the National Unity Government (NUG).

The new government is led by President Ashraf Ghani, with Abdullah Abdullah as chief executive. However, the political stalemate and lack of policy consensus within the NUG continues to undermine public confidence in its functioning as well as the government’s efficiency, especially during the government’s first two years in office. Still, international assistance has allowed the NUG to cover its lack of resources. Furthermore, the security situation has not improved due to the withdrawal of international forces, disunity within the NUG and political problems surrounding the NUG. Despite the challenges of a weak economy, rampant corruption, power wrangling and increasing insurgency, the NUG has so far survived.

The military transition took place after the International Security Assistance Force Mission and Operation Enduring Freedom ended, which presented the NUG with massive challenges. The withdrawal of international troops required fiscal and security reform of state structures. The Taliban’s resurgence has put the central government under immense pressure. Security remains a huge problem in the country, which in turn affects the sociopolitical situation substantially.
According to the FDD’s Long War Journal (September 8, 2018), more than 40% of the country is still contested by the government and the Taliban.

The NATO forces that remain in the country mainly provide advice on strategy development and troop training, and conduct air strikes against Taliban targets. In 2017, the total number of U.S. troops stationed in Afghanistan was 8,400. Albeit self-sufficient in terms of human resources, the Afghan military remains financially and tactically dependent on NATO. In the 2016 NATO summit in Warsaw, $4.5 billion per year until 2020 was pledged by Western countries to support the Afghan military. Furthermore, the 2018 Geneva conference on Afghanistan pledged another $535 million to support the Afghan government. The Afghan national budget continues to be largely funded by external donors. However, over the last two years, the NUG has shown a greater desire to lead development projects. The NUG has introduced several reforms, and signed transnational and trans-regional agreements in order to stabilize the economy. While it remains too early to evaluate the effects of these reforms, things appear to be heading in the right direction.

In sum, the current weak economic situation and the growing power of insurgents continue to threaten the Afghan state, which relies mainly on external support to address deficits.

**History and Characteristics of Transformation**

An ambitious young king, Amanullah Khan, undertook a modest modernization and liberalization program at the beginning of the last century. After the East India Company was defeated in 1919, Amanullah attempted to transform the country along Western lines, before he was overthrown in 1929 by a radical uprising. In 1933, a strict monarchy under Zahir Shah emerged. Under Zahir Shah, hardly any democratic institutions were admitted, with the exception of the so-called Democracy Period (1964–1973). During the Democracy Period, political parties were partially admitted into the political scene and parliamentary elections were held. However, opportunities for political participation remained weak and political parties were never constitutionally recognized. After 40 years of Zahir Shah’s rule, Daoud Khan (Zahir’s cousin and brother-in-law) seized power in a coup d’état in 1973. Daoud Khan declared the country a republic and himself the country’s first president. In 1978, a brutal coup by the Marxist-Leninist People’s Democratic Party of Afghanistan (PDPA), the Saur Revolution, toppled the republic, and assassinated Daoud Khan and his family. As a result of the coup, the Afghan political landscape became ideologically divided between Marxist-Leninist parties and Islamic parties.

In 1979, following Soviet intervention, the country’s political problems increased. During the period of the Soviet-backed PDPA regime, the idea of democracy was discredited. Popular resistance to the policies of the PDPA regime and the Soviet Union mobilized a younger generation of Islamist activists. The country saw intense fighting and a protracted conflict between the Soviet-backed PDPA regime and the Mujahideen resistance. The Mujahideen were the main force in overthrowing the PDPA regime in 1992.
However, there was a lack of consensus and coordination among the Mujahideen forces on how to govern the country after Dr. Najibullah stepped down from power in 1992. This led to an interethnic civil war. In 1996, the Taliban, a new force that emerged in 1994 in Kandahar, seized control of about 90% of Afghanistan’s territory. Under the rule of the Taliban, radical Islamic laws were applied. Women and religious minority rights activists complained of systematic discrimination. After 9/11, the U.S. military intervened in Afghanistan, with the justification that the Taliban had provided sanctuary to al-Qaeda and, as such, were responsible for the attacks on U.S. soil.

The U.S.-led was both a military and political mission. The aim of the mission was to fight the Taliban, and restructure Afghanistan’s state system along modern and constitutional lines. The transition of Afghanistan into a democratic state involved substantial international support. Hamid Karzai (an ethnic Pashtun) led the country’s interim administration (2001–2002) and was subsequently selected by an emergency Loya Jirga (Grand Council) to head the Transitional Administration (2002–2004). He was also twice elected president in 2004 and 2009. Former rebel parties were included in the state-building process, with the proviso that the rebel parties were anti-Taliban (e.g., the Northern Alliance, NA). In contrast, groups like the Taliban and Hezb-e Islami were excluded from the peace process. The NA, which had previously fought as a ground force against the Taliban regime, was given key positions in the new governments. Among others, the NA was represented by Jamiat-e Islami of Afghanistan, a Tajik Islamist party. Jamiat-e succeeded in securing its interests in the Bonn Conference (2001) and, accordingly, was given several key ministries (e.g., the ministries of defense, foreign affairs and the interior).

As part of the state-building process, large sums of money poured into Afghanistan with reconstruction and institution-building being the central aims. The country established formal democratic institutions and adopted a democratic constitution in 2004. Moreover, presidential elections were held in 2004, 2009 and 2014; parliamentary elections were held in 2005, 2010 and 2018; and provincial council elections took place in 2005, 2009 and 2014. However, all elections suffered from a lack of transparency and involved large-scale fraud, according to external observers. The situation reached a tragicomic climax with the 2014 presidential elections, which led to deadlock between the two main presidential candidates. The stalemate was eventually broken when the United States intervened diplomatically to create a new form of government, the National Unity Government (NUG). After months of negotiations, power was shared between the opponents, resulting in the country’s first democratic power transition.

Meanwhile, the Taliban, who were excluded from the peace-building process in 2001, have steadily gained power, especially since spring 2006. Over time, the international community’s strategy for combating terrorism and promoting development in Afghanistan has also changed. In 2010, the U.S. Obama administration dramatically increased the number of U.S. troops in Afghanistan. This destabilized the political situation in Afghanistan and resulted in the further escalation of violence. Since 2013, the Afghan National Security Forces (ANSF) have taken over sole responsibility for Afghanistan’s national security as the international military mission was scheduled to withdraw by the end of 2014. However, the number of civil casualties has continued to rise over recent years.
The role of the United States and its Western allies in post-Taliban Afghanistan has been critical. Apart from the initial military engagement with the Taliban, the U.S.-led mission has ensured political stability (e.g., the 2014 presidential election). Indeed, the international mission in Afghanistan is the longest in the history of the state-building process. At the time of writing, the NUG had completed four years in office, despite widespread skepticism about its ability to survive. Nevertheless, the government is struggling to develop and implement reforms, strengthen institution-building, and consolidate the ANSF. The security problem, however, remains its biggest challenge. The Taliban and other affiliated groups are putting immense pressure on the Afghan government – not only on the battlefield but through political negotiations as well. Although the NUG has attempted to address the economic situation, the economy remains fragile and the government depends heavily on international donors.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

With the withdrawal of the majority of international forces from Afghanistan in 2014, the regime in Kabul faced new military and security tasks. The Taliban strategically launched a military offensive in several parts of the country. In addition, inspired by the Islamic State (IS) group, the so-called IS-Khorasan (IS-K) now operates in Afghanistan. In contrast to the Taliban, IS-K operates on stricter doctrinal lines and has regional ambitions. Thus, the decision by the U.S. Obama administration to withdraw U.S. forces from Afghanistan by the end of 2016 was revised in light of IS-K’s presence. Around 8,400 U.S. troops remain in Afghanistan.

The Pajhwok Afghan News (PAN) reported that the number of causalities increased dramatically in 2017 and 2018. PAN noted that, in the first nine months of 2018, more than 20,500 people lost their lives or were injured.

Compared to 2017, there were fewer threats from IS-K in 2018. Nevertheless, it is likely that there are still several thousand IS-K fighters, with IS-K having become the foremost executor of high-profile attacks (e.g., suicide bombings) in Kabul. IS-K has also claimed responsibility for many attacks that targeted religious minorities, such as Shi’ites in Hazaras.

Furthermore, the Taliban has become extremely offensive, advancing into the northeast of the country and attempting to seize control of several provinces in the southwest of the country. According to FDD’s Long War Journal, the Taliban control 12 out of 19 of Ghazni’s districts. Since the withdrawal of international forces, the fighting has been intense and the struggle for territorial control continues. According to the Special Inspector General for Afghanistan Reconstruction, the Afghan government suffered massive territorial losses to the Taliban in 2018. It is estimated that in 2017 the local level district control of the Afghan government accounted for 65.2% of the overall territory, whereas the NUG controlled 55.5% of the overall
In general, all ethnic groups in Afghanistan regard the state of Afghanistan as legitimate. It is rather the form of government that is questioned. Hezb-e-Islami and other Islamic parties have nationalist sentiments and transnational Islamist agendas. Furthermore, decades of conflict have promoted regionalism. At the same time, given the number and historic influence of Pashtun people in Afghanistan, being Afghan is generally equated with being Pashtun. Recently, some non-ethnic Pashtun political elites rejected the use of the term “Afghan” on their new electronic identity cards (afgh = e-tazkeera). Thus, the new identity cards issued on February 15, 2018, highlighted the depth of the country’s identity problem, which is reflected the power struggle between the country’s president and the chief executive. Accordingly, they argue that the electronic identity card policy should be revised. Although the NUG has attempted to empower religious minorities by introducing constitutional provisions, several minority groups (e.g., Sikhs and Hindus) continue to experience widespread social discrimination, are often not considered full Afghans and are excluded from the Afghan political discourse. Similarly, traveler and nomadic communities (e.g., Jogi and Chori Frosh) remain socially and politically marginalized. Although their concerns were recognized by the government and included in the National Internal Displacement Persons Policy in 2014, the full implementation of the policy reforms remains a challenge.

The constitution of the Islamic Republic of Afghanistan is based on Islamic law. Therefore, Islam plays a particularly important role in political discourse. According to the Afghan constitution, the government cannot adopt any law that is contrary to Islam. On the other hand, political Islam is still present everywhere and plays a significant role in political decisions. Furthermore, the state gives the religious leaders significant attention in order to bolster its legitimacy. Thus, the Arg (the presidential palace) frequently seeks the advice of the Religious Scholars’ Council during critical times. The state attempts to respect and accommodate the concerns of various Islamic schools of thoughts (e.g., Deobandi interpretation of Hanafi fiqh, Wahhabism and Twelver Shi’a) in order to reduce the political influence of insurgents (Taliban and IS-Khorasan), who counter state narratives using Islamic ethical and political language. According to Azadi Radio (Dari online news), mosques in Kabul and adjacent areas are repeatedly used as a platform to exhort people to participate in state affairs and political life using Islamic means and Islamist aims.
Since the creation of the National Unity Government (NUG) in 2014, the heads of state (Ghani and Abdullah) have promised a thorough improvement of the administrative structures. In this regard, some structural changes have been made that incorporate many young people in the administrative fabric. As a result, the previous political elite felt marginalized, because the government attempted to base itself on technocratic grounds. Although the NUG claimed that their commitments to the country have been implemented with regard to good governance, fundamental issues remain unresolved. In spite of the gradual improvement in the performance of several ministries (particularly the ministries of economy, agriculture and justice), the country is still suffering from inefficient functional public administrative institutions.

Despite numerous casualties and allegations of ghost soldiers in the Afghan military, the Afghan National Army remains perhaps the only national institution that is widely perceived to operate along national lines (i.e., beyond ethnic, regional and sectarian divisions). Unfortunately, like all other institutions, the army also suffers from poor governance and lacks structural development. According to the Special Inspector General for Afghanistan Reconstruction, many Afghan children do not enroll in school at all or drop out early. In 2018, the number of children who failed to attend school was about 3.7 million (about 2.2 million of whom were girls). The main reasons include “insecurity, shortages of school buildings and textbooks, rural access issues, poor data reliability, and the alleged appointment of teachers on the basis of cronyism and bribery.” The Ministry of Public Health has taken a few preliminary steps. According to the World Bank in 2018, the number of health care centers has risen by 5% and the number of female health care employees has also increased. However, this progress isn’t nationwide. Basic infrastructure and service provision are low. Most Afghans lack a safe water supply, and adequate sanitation and hygiene. The U.N. Mission in Afghanistan reported that approximately 27% of the population has access to safe drinking water, with limited access to safe drinking water even affecting Kabul. In addition, municipal waste management is underdeveloped or simply does not exist. The vast majority of the population, especially in rural areas, has limited access to electricity. This is even true for transitional provinces like Nangarhar. Overall, the country lacks a basic public transportation system. The Administrative Office of the President oversees a number of regulatory authorities, most notably the National Procurement Authority.
2 | Political Participation

The latest presidential election took place in 2014. The 2014 elections led to the country’s first ever peaceful democratic transfer. Compared to 2004 and 2009, however, it was accompanied by accusations of fraud and conflict. The two leading candidates, Ashraf Ghani and Abdullah Abdullah, entered into a deadlock with both candidates claiming victory and accusing each other of electoral fraud. The mediation of the United States calmed the situation, as a National Unity Government (NUG) was formed, allowing the two candidates to agree a power-sharing arrangement. On the other hand, a third parliamentary election since the 2001 (following the elections in 2005 and 2010) should have been held in 2015. However, the elections were postponed following a comprehensive review of the electoral system and security issues. The parliamentary elections were eventually held in October 2018 after almost three years of delay. According to Afghan Analysts Network, the election was “a triumph of administrative chaos.” The elections were technically poor and security problems persisted. In addition, the state was accused of meddling in the electoral process. BBC Dari, for example, noted that in many polling stations either the electorate lacked a knowledge of biometric devices or the devices did not work. According to the Independent Election Commission (IEC), three million out of more than eight million registered voters (3,067,918 women, 5,681,592 men, 168,015 Kuchis, and 583 Sikhs and Hindus) voted in October 2018. In order to avoid electoral fraud (e.g., ballot box stuffing, multiple voting), a biometric based system was introduced. Nevertheless, at the time of writing, the results of the parliamentary elections remain marred in controversy and complaints have not been properly investigated. There were 5,074 polling centers in 33 (out of 34) provinces. In Ghazni province, elections were postponed due to the security situation and the controversial results of previous elections. Furthermore, a general list of candidates was not available on the IEC’s website. The IEC’s inability and mismanagement has also meant that district council elections have been further delayed. Originally, the district council elections were to take place simultaneous to the presidential election. The delay in parliamentary elections has tarnished the legitimacy of elections, especially as the delay failed to deliver fairness, transparency and security. In addition, the IEC invalidated votes cast in Kabul’s Complaints Commission. This led to fierce public debates concerning the IEC’s competency. Later, the IEC changed its decision and announced the primary results of the election in Kabul, which has also been widely perceived as a sign of its mismanagement.
After almost three years, the National Unity Government is reasonably cohesive. Nevertheless, the president is often accused of disregarding deliberative procedures as democratically required by his office. Thus, the state continues to lack a strong connection between the country’s political center and localities. In addition to the increasing influence of the Taliban, with the Taliban currently directly or indirectly holding influence over 40% of the country, local warlords are generally the effective powerholders in areas governed by the state. Given these two factors, the state works within practical limits. Thus, Vice President Abdul Rashid Dostum, who had been banned from Afghanistan following sexual abuse allegations, returned home a year later, without the government being able to do anything. In instances when the government sought to press charges against local strongmen, political chaos ensued. As the government released the local strongmen without pressing any charges, the government was further seen to be unable to enforce the rule of law.

The constitution guarantees association and assembly rights. The government is using its resources to guarantee these rights. According to the Ministry of Justice, there are 3,053 registered social organizations across the country’s 34 provinces. Furthermore, according to the Ministry of the Economy, there are 2,091 international and national NGOs active in the country. However, strict regulations restrict the right to assembly in the run up to elections. In addition, the government uses excessive police force to disperse protests. Equally, the associations have no legal barriers to the right of assembly. A major obstacle to the various societal groups and civic associations is the security situation and the influence of non-state actors. Despite some harsh government policies aimed at suppressing demonstrations, the state does not generally repress civil society. On the other hand, in areas controlled or contested by insurgent forces, local associations and assemblies lack legally meaningful rights, with the Taliban and IS-Khorasan viciously repressing groups and citizens who try to make use of their constitutional rights.

One of the greatest achievements in Afghanistan’s post-Taliban period has been the development of the freedom of expression – not only when compared to the country’s period of Taliban rule, but also in comparison to neighboring countries (e.g., Iran or Tajikistan). Further, media (e.g., TV, radio and newspaper) are freely accessible to all ethnic groups in the country. According to the BBC (2017), there were more than 30 TV channels broadcasting in Kabul alone. In addition, over 170 FM-radio stations operate across the country. Many of the radio stations have political owners, private owners and international sponsors. Nevertheless, the National Unity Government interacts differently with the media than previous governments. As a result, the government and especially President Ghani receive heavy criticism from the media. The government accuses the media of irresponsibly handling political situations, while the media alleges that the government lacks respect for free speech. Thus, media outlets are not the targets of state repression, but rather individual threats. In addition, a fundamental threat to the media comes from the Taliban, which – despite strides to improve free speech – makes Afghanistan one of the most dangerous

3 | Rule of Law

Afghanistan has a presidential system. However, the current National Unity Government (NUG), comprising the president and chief executive, cannot be fully appraised as per Article 61 of the Afghan Constitution. Article 61 states that the president should be appointed by electoral commissions after elections have been held. However, NUG was created after months of deadlock between the two presidential candidates. The stalemate was only resolved due to the efforts of the U.S. secretary of state, while neither the electoral commissions nor the constitutional standards were of major help. On the other hand, the general public sees the parliament as being too partisan and corrupt. Ironically, as the parliament dismisses ministers for corruption, it weakens the governmental writ. Therefore, more often, ministers are appointed by the country’s president and carry out their duties without the consent of the parliament. In addition, leadership of the NUG is shared between Ghani and Abdullah. However, since 2017, there is an understanding that the balance of power favors President Ghani.

The role of the judiciary in the Afghan constitution is clearly defined. The Stera Mahkama (Supreme Court) is the highest court represented by a chief court and eight justices and is organized into several departments. Additionally, there are several subordinate courts (e.g., the Appeals Court, primary courts and special courts), which deal with different issues. At the national level, the judiciary is unable to subject state power to the rule of law. Generally, the judicial system suffers from a lack of public trust due to high levels of corruption and its extremely slow dispensational process. Moreover, the lack of public trials and especially the absence of transparency in court decisions undermines the judiciary’s credibility. As a result, ordinary Afghans tend to utilize the Taliban’s Shariah courts, which are quick and cheap, rather than the state judicial system.

Afghanistan is a country in which informal justice mechanisms are predominant, especially at the local level. Article 116 of the Afghan constitution states that the judiciary is an independent body of the political system, which includes the Supreme Court, the Appeal Court and primary courts. Due to structural problems and deficiencies in policy-making and professionalism, the judiciary is extremely burdened. Among other things, this makes the state judicial system corrupt, inefficient and slow. In addition to the lack of professionalism and immature judicial structures, the lack of government assistance plays a fundamental role in the judiciary’s poor performance. An Asia Foundation survey (2018) found that 45.4% Afghans use traditional local jirga (assemblies of leaders) or shura (community
councils) for resolving disputes. Moreover, 81.4% of them believe in the fairness of these decision-making forums. According to Asia Foundation, local jirgas are seen to be more effective than state courts, resolving cases quickly and efficiently. According to the Afghanistan Independent Human Rights Commission (AIHRC), the NUG has made some efforts to improve the judicial situation. However, due to the security situation, universal access to judicial institutions remains problematic. According to AIHRC, there are no primary courts in 47 out of 398 districts, leaving space for parallel traditional systems. Further, this space affords insurgents plenty of room to promote contradictory ideas of justice, and to present Shariah courts as a more sensible and efficient alternative.

Afghanistan’s post-Taliban governments have drawn on existing power setups in order to bolster legitimacy and deliver public goods effectively. Thus, a strong nexus between the Afghan state structure and local strongmen exists. The patronage and clientelist politics of local strongmen accordingly affects the state’s administrative structure. Although the National Unity Government has attempted to reform areas of public administration and service delivery, Afghanistan has a long way to go in order to ensure transparency in public offices. An Asia Foundation survey (2018) found that 70.6% respondents think that corruption is a fundamental problem. Nevertheless, corrupt officeholders are rarely prosecuted due to pragmatic concerns. One of the more controversial figures of the 2014 presidential election, Zia-ul-Haq Amarkhail, later became a senior advisor. Previously the head of the Secretariat of the Afghan Independent Election Commission, Amarkhail was widely considered to have been involved in manipulating election results. In a further instance, Qaisari and Ali Pur were arrested for human trafficking, but were quickly released. Afghanistan needs both independent and objective mechanisms to effectively prosecute office abuse.

The Afghan constitution guarantees civil and political rights to all Afghans. However, the rights-holders need safety and security in order to meaningfully exercise those rights. According to the Internal Displacement Monitoring Centre, in 2017, 1,286,000 people were threatened by conflict, violence or disaster, and at risk of being internally displaced. By December 2018, 349,794 people had fled their homes due to conflict, according to United Nations Office for the Coordination of Humanitarian Affairs (OCHA). On the other hand, the spokesman for the Ministry of Refugees and Repatriations stated to DW Dari that, despite the efforts of the Afghan government, currently 4.2 million Afghans desperately need help. In most cases, the displaced people are left on their own, which facilitates their recruitment into terrorist groups or local militias. In this regard, the state lacks the means to improve the situation. In addition, religious minorities (e.g., Hindu and Sikh communities) are subjected to social and political discrimination. The Afghanistan Daily noted that religious minorities usually experience obstacles and problems when conducting their religious ceremonies.
4 | Stability of Democratic Institutions

Afghanistan’s democratic institutions have always faced a twofold threat of insurgency and the inclusion of former rebel parties in the democratic institutions. Increasing instability and insecurity substantially undermine the legitimacy of Afghanistan’s democratic institutions. Presidential, parliamentary and provincial elections have been held several times in the country’s post-Taliban era. However, the elections remain questionable. At the local level, political decisions frequently reflect the on-the-ground political influence of actors, including local strongmen, provincial governors and powerbrokers. In turn, this affects the democratic procedures and processes. For example, the former provincial governor of Balkh, Atta Noor, who ruled the province from 2004 to 2018, was known as the king of the North, because he could disregard the decisions of central authorities with impunity. In addition, Fazal Hadi Muslimyar (president of the Upper House) and Zahir Qadeer (an Afghan member of parliament) influence government decisions in Nangarhar. As a result, the public seems to doubt the parliament’s competence. According to Asia Foundation (2018), only 40% Afghans have confidence in the parliament, compared to a median rate of 67% for other countries the survey. While the NUG has attempted to introduce reforms, the patron-client system based on loyalty and ethnicity remains intact. The inclusion of former rebel parties in the democratic process and the ever-increasing threat of insurgency make things worse.

Most political actors, with the exception of local IS-Khorasan militants and the Taliban, claim to be committed to democracy. Even Islamist political parties argue that elections provide legitimate means to pursue political power. Consequently, all political parties are preparing for the 2019 presidential elections. At the same time, however, the question remains how strong the commitment to democratic institutions (instead of just a willingness to participate in elections) really is. Another problem is the state’s dependence on local strongmen. Typically, local strongmen pursue their interests in an authoritarian way and are given substantial discretion by the state. This affects the public’s perception of the state as the trustee of popular power. Nevertheless, in general, the population and political representatives agree that fair and stable democratic institutions are the best method for representing the interests of all ethnic groups.
5 | Political and Social Integration

Following the end of Taliban regime in 2001, rebuilding Afghanistan’s political institutions became the central aim of the international community. All Afghanistan’s political parties (except the Taliban and Hezb-e Islami) were included. The inclusion process, however, reflected political compromises. For example, the legacy of the war played a key role in determining the behavior of rebel political parties within Afghanistan’s democratic institutions. Thus, rebel political parties generally lack internal democratic structures, democratic oversight over finances and pursue sectarian interests at the cost of general national interests. This undermines the legitimacy of government institutions.

There are about 70 registered parties in Afghanistan. However, most parties lack institutionalization and the capacity (or will) to develop specific policies. Political parties lack a formal role in the legislature, which weakens their role in policy-making. The electoral system does not require parliamentary or provincial council candidates to be party members. Party membership therefore offers no formal advantage to prospective representatives. Traditional parties with roots in society are mainly civil war-based parties, which cater to traditional constituencies and rely on patron-client networks, and thus exhibit path dependencies detrimental to democratic transition. This, in turn, negatively influences popular perception.

Traditional, informal jirga (assemblies of leaders) and shura (community councils) play a representative role in governing communal life and regulating conflicts. Typically, these groups continue to be represented by people who were or are close to noted political parties or strongmen, and the groups generally represent a particular ethnolinguistic base. Religious minorities (e.g., Hindus and Sikhs) are rarely represented in such groups. Accordingly, their interests remain underrepresented. The new civil society organizations that have sprung up across the country operate in a limited manner, socially and geographically. According to BBC Dari, the international community’s, especially the United States’, substantial financial backing for the new civil society organizations means that these organizations are often used more as a source of income than to achieve social change. Nevertheless, interest groups and civic associations enable Afghan women in certain areas to become more politically active, especially in the legislative process. Indeed, one of the key concerns of civil society actors is that the peace process with the Taliban may lead to a rolling back of such achievements.
The post-2011 democratization of Afghanistan is seen by Afghans as an opportunity to represent all social groups and ethnic groups. According to an Asia Foundation survey in 2018, 61.4% of Afghans are satisfied with the “democratic system.” Given the unstable situation and widespread insecurity in Afghanistan, it can also be assumed that the survey is not representative of all Afghans. Yet, the fact that the survey indicates that democratic players are widely seen as incompetent and corrupt does not suggest that the image of Afghanistan’s democratic system is improving. Interparty power struggles, coercion and contempt for democratic rules undermine public confidence in the system. Crucially, the findings show that Afghans have varying degrees of confidence in the democratic system. This discrepancy is explained by the extent to which individuals benefit from the existing system and are threatened by the current instability and insecurity. This varies from province to province and from place to place. Finally, according to VOA Dari, public trust in parliamentary candidates is very low given the possibility of electoral fraud.

Afghanistan is an ethnically diverse country, which has a strong traditional of informal, community-based structures. Through these informal structures, Afghans have been able to compensate for the lack of state structures. These structures include traditional jirga (assemblies of leaders, mostly among Pashtuns), shura (community councils) and religious networks. These structures resolve domestic conflicts and inter-community conflict, having remained anchored in Afghan society for centuries. With the state-building process in post-Taliban Afghanistan from 2001, numerous associations and NGOs have sprung up. At the time of writing, there were 3,849 associations registered with the Ministry of Justice and 2,091 NGOs registered with the Ministry of the Economy. Despite instability, insecurity and widespread kidnappings, they continue to work. A total of 145 national and international NGOs, working across various socioeconomic areas, are members of the Agency Coordinating Body for Afghan Relief and Development. Given that Afghanistan has experienced numerous conflicts since 1978, its state structures are ineffective. Therefore, building trust in governmental bodies has entailed loyalty to officeholders and depended on ethnic-regional modus vivendi. On other side, the 2003 National Solidarity Program (NSP) is an Afghan government initiative to build and strengthen the Community Development Councils (CDC). The NSP aims to build trust between government institutions and rural populations at the local level. As reported by the World Bank, the contribution of CDC to building national solidarity has been effective. However, public perceptions of legitimacy depend on the effective provision of basic collective goods, and the lack of political consensus and growing insurgency are aggravating the situation.
II. Economic Transformation

6 | Level of Socioeconomic Development

Given the political instability and insecurity in Afghanistan, Afghans continue to suffer from poverty. Despite massive external aid flows, the Afghan economy remains unstable and inequality remains high. According to a World Bank survey (2017), 39% Afghans are living below the poverty line, an increase of 3% on 2011/12. The current National Unity Government (NUG) has made some partial attempts to address this situation, although few initiatives in the area of overall human development have been completed. Between 2005 and 2017, Afghanistan’s HDI score increased 22%. As reported by the World Bank, the gross national income (GNI) per capita remains unchanged in 2018 at $550, when we compare it with 2017. However, this figure shows a slight decline from that of 2015, when it was at $600.7. Afghanistan’s HDI score (0.498 in 2017) remains below the average (0.504) for countries in the low human development group. However, when adjusted for inequality, Afghanistan’s HDI score falls to 0.350. The GII score for Afghanistan was 0.653 in 2017. However, the GDI female HDI score was 0.364, compared to South Asian countries with an average score of 0.583. The contribution of Afghan women to household income shows a slight increase from 13.6% (2009) to 19.1% (2018). Despite greater female representation in Afghanistan’s political organs (e.g., 27.4% of members of parliament are women), the on-the-ground situation leaves much to be desired. Given the low economic growth rate, the employment situation does not fare well. According to an Asia Foundation survey in 2018, respondents described the employment situation in Paktia (77.9%), Panjshir (76.6%) and Kabul (75.2%) as very bad. Moreover, Afghanistan has the worst maternal mortality rate (67.9 maternal deaths per 1,000 live births) in the world, according to UNICEF 2018. Afghanistan also has the highest infant mortality rate (51.5 infant deaths per 1,000 live births) in the world. However, these rates have improved since 2007.

<table>
<thead>
<tr>
<th>Economic indicators</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>19907.1</td>
<td>19362.6</td>
<td>20191.8</td>
<td>19363.0</td>
</tr>
<tr>
<td>GDP growth</td>
<td>1.5</td>
<td>2.3</td>
<td>2.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
<td>-0.7</td>
<td>4.4</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment</td>
<td>1.7</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
</tr>
</tbody>
</table>
### Economic Indicators

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign direct investment</td>
<td>% of GDP</td>
<td>0.8</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Export growth</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Import growth</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current account balance</td>
<td>$ M</td>
<td>-4643.2</td>
<td>-3322.8</td>
<td>-4227.1</td>
</tr>
<tr>
<td>Public debt</td>
<td>% of GDP</td>
<td>9.1</td>
<td>7.8</td>
<td>7.5</td>
</tr>
<tr>
<td>External debt</td>
<td>$ M</td>
<td>2637.0</td>
<td>2596.7</td>
<td>2717.0</td>
</tr>
<tr>
<td>Total debt service</td>
<td>$ M</td>
<td>56.6</td>
<td>60.2</td>
<td>63.6</td>
</tr>
<tr>
<td>Net lending/borrowing</td>
<td>% of GDP</td>
<td>-1.3</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>% of GDP</td>
<td>7.6</td>
<td>8.8</td>
<td>9.3</td>
</tr>
<tr>
<td>Government consumption</td>
<td>% of GDP</td>
<td>12.4</td>
<td>12.4</td>
<td>12.6</td>
</tr>
<tr>
<td>Public education spending</td>
<td>% of GDP</td>
<td>3.3</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Public health spending</td>
<td>% of GDP</td>
<td>0.5</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure</td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military expenditure</td>
<td>% of GDP</td>
<td>1.0</td>
<td>1.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

### 7 | Organization of the Market and Competition

There is a proper legal framework in place for market competition, domestically and internationally. Through the new policy draft (2018–2023), the National Unity Government (NUG) aims to streamline competition in economic sectors in Afghanistan. According to Article 2 of the Afghan Private Investment Law, the state is committed to maximizing private investment, both domestic and foreign, in the economy. It aims to create a legal regime and administrative structure that will encourage and protect foreign and domestic private investment in the Afghan economy in order to promote technology transfer and improve national prosperity and living standards. Moreover, all registered enterprises (domestic and foreign) have equal access to markets and are treated equally by the law, unless legislation specifically provides otherwise. Despite the efforts of the NUG to mobilize national and international investors, the foreign investment process is not living up to the government’s expectations due to instability and a lack of trust in the existing political structures. According to World Bank’s Doing Business Report, Afghanistan ranked
183 out of 190 countries in 2017, but ranked 167 in 2019. Starting a business in Afghanistan takes eight days and four procedures with a cost of 6.4% of GNI per capita. The starting a business score amounts to 92.04 out of 100 (rank 49 out of 190).

In addition, businesses in Afghanistan face a plethora of risks due to conflict and violence. Instability, corruption and political crimes increase business costs and undermine business confidence. Businesses in the informal sector, run by political elites and warlords, still play a major role in the Afghan economy, mainly in opium and cereals. The exact unemployment rate is not available due to the security situation. Yet, more than half of the population are estimated to be looking for work. The official unemployment rate remained at 8.8% in 2018. According to the Afghanistan Living Conditions Survey (2017), only 13% of the working population in Afghanistan have decent employment. The lack of market investment also affects (human) capital.

In light of articles 64 and 100 of the Afghan constitution, competition law ensures fair competition, monitors unfair regulations that restrict competition and defines Afghanistan’s anti-monopoly policy framework. Agreements between enterprises and/or business associations, which prevent, restrict or distort market competition, are prohibited. The Competition and Consumer Authority has the responsibility and power to protect market competition.

Further, projects (involving a contract award, amendment or cancellation), which are above the Award Authority’s power to approve, require the approval of the National Procurement Commission (NPC), which is headed by president. In 2018, 807 projects were approved by the NPC. Nevertheless, the law remains overshadowed by informal networks. An investor needs to negotiate with informal networks in order to enter a market. For example, in 2017, a reconstruction project worth $15 million was awarded to a Lebanese company in an opaque manner. The popular perception was that the first lady played a part in ensuring that the company was awarded the project. The courts, however, have not intervened.

Afghanistan joined the WTO in July 2016. As such, the country must now adjust its legal and institutional infrastructure as per WTO requirements. Accordingly, Afghanistan has already started liberalizing trade policy and the government has shown a strong commitment toward reforming the investment climate. Further, the government has ensured that investors are able to rent a property for up to 50 years. Preferential trade agreements have been signed with India, China, the Europe Union and the United States. However, there is a lack of confidence due to instability and insecurity in Afghanistan. Accordingly, foreign direct investment in Afghanistan in 2017 was a meager $22.35 million. On the other hand, the National Unity Government introduced an air corridor between India and Afghanistan in 2017 in order to promote trade. Additionally, in order to improve and advance the Afghan national trade programs, the National Export Strategy (NES) and National Trade Policy (NTP) were launched in 2017. Funded by the European Union and
implemented by the International Trade Centre, the five-year NES plan aims, among other things, to expand trade, increase the volume and range of goods produced domestically, and attract foreign investment. According to the Ministry of Industry and Commerce (MoIC) of Afghanistan, there are no formal barriers to trade in Afghanistan. The only condition on trade is that investors comply with the rules of the International Chamber of Commerce. In 2018, the Afghan government banned, at the request of MoIC, the import of saffron from Iran, which has negatively affected the domestic market for Afghan saffron. Despite government efforts, exports remain limited. The Ministry of Industry and Commerce of Afghanistan (MoIC) claims that the exports in the first eight months of 2018 stood at a value of $477 million. This figure shows a slight increase, when one compares it to 2016 (the annual exports in 2016 were $614 million, around $8 million less per month than the figures from 2018). The MoIC however projects that the exports in 2017 would amount to $1 billion and show an increase by 19% compared to the previous year. However, Trading Economics believes that the total Afghan exports in 2018 would amount to $875.24 million. In 2018, Afghanistan reopened the Lapis Lazuli trade corridor in order to connect the country to Central Asia and Europe. Nevertheless, the financial sector remains underdeveloped and unstable. The fragile political situation and lack of trust in Afghanistan’s political institutions restrict trade growth and foreign investment in Afghanistan.

In addition to 16 commercial banks, there are currently three state-owned banks and three foreign bank branches in Afghanistan. Several of these banks provide Islamic banking services. World Bank figures show a slight improvement in the bank capital to assets ratio in Afghanistan, which increased from 11.437% in 2016 to 11.688% in 2017. Similarly, the rate non-performing loans in Afghanistan increased to 12.202% in 2017 from 11.074% in 2016. Thus, Afghanistan’s banking sector faces major challenges if it is to meet international standards. Beside technological and regulatory challenges, there is a lack of available banking services in rural areas and an absence of a stable communications infrastructure nationwide. As such, public access to banking services and resources is exceptionally low.

According to the World Bank, only 10% of Afghans have a bank account with a state-owned bank, with the proportion of women holding a bank account with a state-owned bank much lower than men. With regard to customer services, processes and control procedures, state-owned banks are poorly developed and are much less efficient than private banks. Despite the outreach of state-owned banks, they provide limited financial services. The sector’s loan-to-asset ratio remained below 15% in 2018 and the loan portfolio is less than 3.5% of $1.2 million in assets. On the other hand, the private banking sector is well-resourced, with assets of $4 billion and a gross loan portfolio below $0.7 billion. Despite structural reforms to the banking sector, state-owned banks comply with minimum capital adequacy ratio requirements. The National Unity Government has introduced several financial sector reforms in order to maintain macro-financial stability, stimulate economic growth
and nurture a healthy economy. Nevertheless, the implementation of the financial sector reforms remains questionable due to growing insecurity, which in theory remains limited to major cities like Kabul, Mazar-e Sharif, Herat and Kandahar.

8 | Monetary and fiscal stability

The central bank of Afghanistan (Da Afghanistan Bank, DAB) has attempted to develop monetary policies in order to support the government’s economic policies and promote sustainable economic growth in the country. As per Article 12 of Afghanistan constitution and the Central Bank Law Article 3.3, DAB is an independent institution regarding the pursuit of its objectives. In general, DAB’s primary objective is to achieve and maintain domestic prices. Further, it supports the Afghan government’s economic policies and aims to bolster domestic economic growth.

Accordingly, DAB uses its reserve money as the key operational target to determine average annual inflation rate. In order to manage liquidity, DAB uses open market operations. Only the executive board of DAB is responsible for all matters concerning the administration and operations. DAB is run through laws, regulations and circulars. Based on Article 62 of the Central Bank Law, DAB is responsible for the formulation, adoption and execution of the monetary policy of Afghanistan.

However, there is no consistent monetary policy. The inflation rate remained quite stable at 3% in 2018, despite weak food and international energy prices, according to the World Bank. The CPI in Afghanistan remains unstable. In January 2018, Afghanistan’s CPI was 112.83 Index Points, which increased to 113.20 Index Points in December 2018 – a slight decrease from 145.617 Index Points in 2017, according to the World Bank. The national currency, the afghani, depreciated from AFN 66.72 to $1 in 2017 to AFN 74.59 to $1 in 2019. According to the Pajhwok News Agency, since the inauguration of National Unity Government in 2014, the afghani has plummeted more than 23%. Two factors have contributed to this trend: the withdrawal of most international forces in 2014 and the country’s increasing trade deficit. In general, however, both the state and DAB lack any control mechanisms to enforce their policy. In many parts of the country, trading with foreign currencies is still common. In the eastern provinces of Afghanistan, trade is often conducted using the Pakistani rupee; in the western provinces, trade is often conducted using the Iranian rial. Further, international businesses and large-scale projects generally use the U.S. dollar, which further devaluates the afghani.
According to the Afghan Ministry of Finance, government revenue in 2017 was AFN 169 billion, which was 5% more than the government target. In 2018, the World Bank report reported, however, that the Afghan government revenue-collection of year 2018 was AFN 189.7 billion. It shows a 12% rise in the collection of revenue; the same figure for the year 2017 was AFN 169 billion. Yet, according to the IMF report, the public debt was equivalent to 7.5% of GDP in 2017, a 0.5% decrease from the previous year. GDP growth was 7.2% in 2017, up from 3.5% in 2016. In 2017, GDP totaled $20.745 billion. On the other side, there is a lack of reliable data concerning the development of net lending. Therefore, the World Bank provides estimates only for 2017, which is 0.3% of GDP. Due to the decline in discretionary and non-discretionary on-budget grants, the fiscal deficit was approximately 0.5% of GDP in 2017.

The Afghan government has previously emphasized that the implementation of the 2018 supplementary budget (AFN 357.6 billion) would face several hurdles, including parliamentary elections, increasing insecurity and violence, internal displacement due to drought, and structural political problems (e.g., barging between officials). Furthermore, government revenue is undermined by informal structures, corruption and the lack of stable mechanisms. As reported by the BBC in 2017, out of 4 million tons of imported petroleum, the government was able to collect tax on only 1.3 million tons. Since 2014, with the withdrawal of international forces from Afghanistan, income generated for the local economy from the presence of international forces has declined. Agriculture, Afghanistan’s most important source of employment, which engages between 85% and 90% of the population in rural areas, is also unstable. Accordingly, in the first six months of 2018, the value of domestic production dropped rapidly due to lower food prices and drought, with farmers having to sell their products at lower prices in order to quickly earn capital to mitigate the drought, according to the IMF. On the other hand, the financial services sector continues to be burdened by several factors. Due to its dependency on external aid and the large fiscal gap, the country’s financial services sector suffers from instability and a poor fiscal structure.
9 | Private Property

Article 1900 of Afghanistan’s Civil Rights specifies that “property is a right that is subject to the will and control of the person under the right. Only the owner can use, exploit, and engage in any kind of ownership in accordance with the provisions of the law.” According to the Afghanistan Investment Support Agency, however, a foreign investor is not permitted to own land either directly or indirectly. On the other hand, the current legal framework for land recognition is based on customary law. Almost about 80% of households have no formal documentation to prove their ownership rights over held lands, public lands or lands used by Kuchi (nomadic tribes). In turn, this leads to immense conflict over land ownership. Moreover, related issues are decided in accordance with both Shariah and the general civil codes.

Further, national laws lack resources with which to recognize communal ownership, which is common in many parts of the country. Overall, there is a lack of robust formal protections for private landowners threatened by the “land mafia” or land-grabbing. So far, 1,297,000 acres of land have been illegally appropriated by the land mafia. It is understood that the land mafia is connected to powerful individuals and groups within the state structure.

The National Unity Government has made it clear in its strategic objectives that the private sector will get its full attention. Given increasing insecurity in the country and that GDP growth in 2018 was only 2.2%, Afghanistan is not the optimal destination for private investment. Article 2 of the Private Investment Law (PIL) (2003, amended 2005) states, “the state is committed to maximizing private investment, both domestic and foreign, in the economy.” Foreigners can invest in the economy, unless specifically prohibited. According to the Afghanistan Investment Support Agency, investment above $3 million must be approved by the administrative body established by the Afghan government in the light of the 2003 Private Investment Law, namely the High Commission on Investment (HCI).

Article 22 of PIL emphasizes the equal treatment of foreign investors. Based on government economic policies, the PIL permits investments in nearly all sectors except “in construction of pipelines, telecommunications infrastructure, oil and gas, mines and minerals, and heavy industries.” According to the PIL, both foreign and domestic investors have equal rights to establish and own businesses. Furthermore, investing in Afghanistan requires, at least, a registration, which is issued either by the Afghanistan Investment Support Agency or a related ministry. In general, the state does not have the right to confiscate or seize domestic or foreign investment without due legal process and the order of a court with the appropriate level of jurisdiction. But, political instability in the country has economic repercussions. The $3 billion Chinese copper mining project in Logar province has not yet been activated due to instability and insecurity. Though there have been investments in the technology sector, especially in telecommunications and TV, which indicates a revolution in communications in Afghanistan compared to the 2001 era. There are approximately 22 million cellphone users and more than three million internet users in Afghanistan.
10 | Welfare Regime

Given ongoing instability and limited government resources, the Afghan state depends heavily on foreign aid. However, the government of Afghanistan provides some compensation for social risks through its ministries, including the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD). As reported by the Ministry of Finance, the 2018 national budget was AFN 377.1 billion. Out of this, AFN 15 billion was allotted to MoLSAMD. Additionally, AFN 14.7 billion was allocated to social protection in the operating budget as well. The Pension Department within MoLSAMD noted that 159,298 families of martyrs and 125,922 families of disabled people were paid through bank accounts. Furthermore, 25,000 pensioners are registered with the Pension Department. Yet, the country lacks a universal social pension scheme. As reported in the 2018 national budget, the government provides AFN 38.5 million to support women’s economic activities across the country. The government also covers expenses of 2,000 students from border and tribal areas through the Ministry of Border and Tribal Affairs. Improving the living conditions of Kuchis (nomads), providing technical and vocational training to women and supporting internal displacement persons are among the government’s priorities. However, due to increasing security problems and instability, state provision remains partial.

On the other hand, internal displacement remains an issue. In 2018, the Ministry of Refugees and Repatriation (MoRR) noted an increase in the number of refugees. According to MoRR, apart from internally displaced persons, there were approximately 141,000 displaced people from the northern and southern Waziristan belt of Pakistan. Moreover, there is no coordinated system between government ministries for managing the social safety nets. In this regard, the government confronts delays to pension payments, which result from corruption and a lack of transparency, in the respective associated offices.

Afghanistan is a diverse country in which various ethnic groups, practicing different languages and religious beliefs, live together. The National Unity Government, formed in 2014, promised to introduce new social and economic reforms to improve equality and empower women. In the constitution of 2004, women were given the same opportunity as men. Legally, 68 seats (27% of all seats) in the Wolesi Jirga (Lower House) are reserved for women. However, women continue to face serious challenges in Afghanistan. According to an Asia Foundation survey (2018), women are more likely to suffer from illiteracy and a lack of educational opportunities than men. Moreover, women’s effective rights remain limited, which reduces their public participation and access to justice. Lack of employment opportunities for women and incidences of domestic violence makes the picture even bleaker. Moreover, given the current security situation, nearly half of children (an estimated 3.7 million) aged between seven and 17 years old in Afghanistan fail to attend school. The Afghanistan
Living Conditions Survey 2016 to 2017 reported that around 1.3 million primary school aged girls do not attend school. The survey also found that 36.6% of these girls do not attend school because there is no school to attend or the distance from their home to the school is too great. Only 17.6% of the adult population aged 25 and over has completed any level of formal education. The adult literacy rate in Afghanistan (around 31%) is one of the lowest in the world. This, in turn, shows extreme gender and regional inequalities. As reported by UNESCO, the female literacy rate (17%) is much lower than that of men. In comparison to other provinces, Kabul (34%) has the highest female literacy rate in the country.

The male literacy rate in Kabul (68%) is the highest in the country, while the male literacy rate in Helmand province (41%) is the lowest in the country. Moreover, the female literacy rate stands at 30% (2018) in Afghanistan, which makes the country one of the worst global performers in this area. The Independent Administrative Reform and Civil Service Commission claims that women currently account for approximately 27.33% of civil service employees, with women largely involved in the education and health care sectors. Nevertheless, the assignment of women on local level needs to be observed with caution. On the other side, Amnesty International reported that nearly two million internally displaced people still lack access to work. There is no reliable data on non-Afghan residents. However, Afghan nomadic minorities (e.g., Kuchi, Jogi and Chori Frosh) face immense discrimination concerning the provision of basic public goods. Furthermore, approximately 2.1 million children aged between six and 14 work as child laborers.

11 | Economic Performance

The Afghan state still relies immensely on foreign aid. Despite its five-year financial management plan and the fiscal performance improvement plan, the Afghan economy is hit hard by the trade deficit and growing instability. According to the Asian Development Bank, the GDP grew by 2.2% in 2018. This showed a decrease of 0.2% compared to 2017.

Government revenue in 2017 was AFN 169 billion, which exceeded the target set by the IMF of AFN 16.6 billion. GDP per capita increased slightly from $617.7 in 2016 to $618.30 in 2017. According to the World Bank, GDP was projected to grow by 2.4% in 2018. However, it grew only by 1.0%. This showed a decrease of almost 1.7% compared to 2017, when it was 2.7%. As reported by the World Bank, despite slow growth in 2018, the Afghan Government was able to collect 12% higher revenue (AFN 189.7 billion) in 2018 as compared to the previous year (AFN 169 billion). Yet, the inflation rate is high at 4.976% in 2017, according to the CPI – a strong contrast from -0.662% in 2015. Foreign direct investment remains minimal due to political violence and the substantial lack of skilled workers. Accordingly, the World Bank ranked Afghanistan 167th out of 190 countries in its Doing Business 2018
report. Although an official, comprehensive evaluation of unemployment does not exist, 46.3% of Afghans reported being involved in some sort of economic activity, according to a 2018 Asia Foundation survey. Public debt was recorded to 7.10% of the GDP in 2018. Domestic government revenue collected by the government in 2018 shows an improvement. With AFN 189.7 billion collected, the revenue collection for the year 2018 reached a record high.

12 | Sustainability

Afghanistan is facing one of the world’s most serious humanitarian and environmental crises, according to the United Nations Environment Program (UNEP). The number of natural disasters in Afghanistan has risen dramatically in recent years. In the first six months of 2018, drought displaced around 81,000 people. According to the OCHA, the total number of drought-affected people in Afghanistan was approximately 287,000 in 2018, with most located in 11 of Afghanistan’s 34 provinces. Given that the agriculture sector in Afghanistan contributes significantly to GDP growth and the national employment rate, the toll of natural disasters is all the more significant. The National Environmental Protection Agency (NEPA) was created in 2005. According to the NEPA’s official website, NEPA focuses on “improving the quality of life of people of Afghanistan through conservation, protection, and improvement of the country’s environment.” Due to severe environmental issues (e.g., soil degradation, air and water pollution, and drought), government efforts are far from exhaustive and still leave many issues untouched.

Afghanistan’s air pollution is one of the worst in the world and is believed to account for tens of thousands of deaths every year. Another serious issue is water pollution in Afghanistan. Around 16.8 million Afghans do not have access to safe water. The Afghan state is struggling to improve solid waste and chemicals management. The disposal of solid waste is a huge challenge for Afghanistan’s major cities where economic activity is high. Due to the lack of a public waste disposal system, an estimated 70% of total solid waste has accumulated in public places. Moreover, the implementation of the Afghan national action plan failed because of its limited economic resources and solid control mechanism.

There is no meaningful R&D sector in Afghanistan. Since the Taliban fell in 2001, Afghanistan has made progress in the education sector. The state provides free education to all citizens. As per Article 2 of the Afghan Education Law, the state must ensure equal rights to its citizen. The education system includes primary, secondary, higher and vocational education, teacher training, and religious education. As reported by the National Education Strategic Plan (NESP) III 2017 – 2021, since 2001, the number of children enrolled in general education (grades one to 12) has risen from 0.9 million to 9.2 million, with girls accounting for around 39% of enrolled children. Nevertheless, Afghanistan faces fundamental challenges. In HDI Education
Index, Afghanistan scored 0.415, ranking 168 out of 187 countries in the overall Human Development Index 2018. Similarly, in Human Development Reports, the overall literacy rate for adults (ages 15 and older) in 2018 was 31.07%, compared to 31.74% in 2011. Government expenditure on education (3.2% of GDP) remains extremely low. The number of years of school a child in Afghanistan is expected to complete is only 10.4, with male and female ratios showing a marked contrast. This is despite the number of schools increasing over the last decade from 3,400 to 16,400.

There are also numerous state and private universities in Afghanistan. However, education in Afghanistan suffers from structural and qualitative shortfalls. According to NESP, organizational and curriculum reform is necessary. Quality textbooks and qualified teachers are hard to find, state universities do not offer the same quality of education as private universities, and corruption in the education sector persists. This affects both private universities, and state schools and universities. In the annual budget 2017/18, the government raised the education budget significantly; however, when compared to the security sector, a sector which gets a large share of the national budget (approximately 50%), the education sector still lags way behind.
Governance

I. Level of Difficulty

Structural problems continue to trouble the Afghan state and politics. Clientelist political structures and insecurity are noticeable. According to the Afghanistan Living Conditions Survey (ALCS) 2017, around 55% of Afghans live below the national poverty line, representing an increase due to increasing conflict between the state and insurgents. According to the ALCS survey, 24% of the country’s labor force is unemployed and only 13% of the working population has decent employment. The number of academics looking for work is steadily increasing. There are around one million university graduates who are looking for work at present, according to the Ministry of Labor, and the number is growing. As reported by ALSC in 2017, nearly 400,000 new job-seekers attempt to enter the workforce each year in Afghanistan. The National Unity Government (NUG) has attempted to use Afghanistan’s geographical position as a bridge between Central Asia and South Asia in order to stimulate the economy and drive employment. To improve the market situation in Afghanistan, the government is discussing the construction of air corridors with key regional players like India, China and Turkey. At the time of writing, no data on the HIV rate in Afghanistan is available. International funding covers the treatment costs of only 791 people on ART (anti-retroviral therapy).

There are almost no indigenous civil society traditions in Afghanistan, as defined in the Bertelsmann Transformation Index. Formal civil society organization (CSOs) were introduced to Afghanistan in the 1970s and 1980s. According to the Afghanistan Institute for Civil Society, CSOs in Afghanistan, among other things, mediate between the state and population. Additionally, CSOs strive “to influence policies, monitor the government’s accountability and serve as an advocate for reforms through certain initiatives that are proven highly effective.” At the moment, there are 3,053 active civil society organizations registered with the Ministry of Justice. Regarding their activities, most civil society organizations are selective (i.e., operate per ethnic, religious or political lines). Given the fact that many CSOs receive external financial support, a certain unease concerning their operation pervades the public’s perception of them.
Afghan society is highly heterogeneous. Decades of fighting have contributed to societal fragmentation. Ethnic diversity and linguistic differences are key elements of the existing power structures, with most power structures maintaining regional ambitions. As a result, many policies run along ethnic cleavages and regional affiliations. Most Afghans (99.7%) are Muslim. Of these, 84.7% – 89.7% are Sunni and 10% – 15% are Shi’a. The majority of Shi’ites belong to the Hazara minority, an ethnic and religious minority. Given increasing radicalism and threat from the Taliban (a largely Pashtun radical Sunni movement), the Hazara remain vulnerable. Nonetheless, at the state level, there is no discrimination against any specific minority. However, policy-making is dominated by ethnic Pashtuns (who comprise 42% of the population) and Tajiks (27% of the population) in cooperation with other ethnicities (e.g., Uzbeks and Hazaras). On the other hand, the Taliban also have non-Pashtun members. Further, large ethnic groups (e.g., Pashtuns and Tajiks) are themselves divided along regional and clan lines. As such, they pursue their sectional interests. Tensions exist at the political level and are visible during election cycles (e.g., the presidential elections in 2009 and 2014). At the moment, there is a clear political representation of all ethnic groups in the current National Unity Government agreement. However, radical insurgents (e.g., the Taliban and especially IS-Khorasan) specifically target the Hazara.

Other religious minorities (e.g., Hindus and Sikhs) have also been the targets of violence and discrimination. A Sikh candidate for the 2018 parliamentary elections, along with 18 other Sikhs, was killed by an IS-K attack in Jalalabad. Although there is no systematic political-social discrimination against Afghanistan minorities, the state appears rather helpless in protecting them from attacks.

II. Governance Performance

14 | Steering Capability

The National Unity Government (NUG) has promised reforms to empower women, promote economic growth through regional connectivity and international cooperation, and tackle corruption and insecurity, as well as electoral reform. The NUG defined its strategic priorities and aims in Realizing Self-Reliance (2014), namely: ensuring peace, stability and security; realizing self-reliance through enhancing productivity, economic growth and revenue; improving the welfare and well-being of the population through better opportunities, governance and respect for human rights; deepening democracy through electoral reform and institutional restructuring; and achieving peaceful co-existence with the country’s neighbors. In 2016, the NUG drafted a five-year plan of the National Priority Programs to promote development. In order to strengthen the institutional capacity of government
ministries and agencies, President Ghani introduced 28 written instructions in 2017 – 2018. Some of these instructions concerned reforms, according to the Independent Administrative Reform and Civil Service Commission (IARCSC) of Afghanistan, “pertaining to staff capacity development, personnel change, ministry and agency performance appraisal, provincial personnel assessment, evaluation of organizational structures, recruitments, dissolution and merging of agencies.” Similarly, IARCSC implemented a 22-point process of internal reform. However, it remains to be seen whether the reforms achieve their targets. Moreover, President Ghani’s efforts to recruit young graduates to key government positions shows a positive stance. However, the extent to which such measures reform the ministries and weaken the hold of traditional political affiliations in public administration remains unclear.

The NUG has faced two major challenges while implementing policies: the increasing power of insurgents (e.g., the Taliban) and weak political institutions. However, despite the limitations, the NUG has achieved some results, according to President Ghani in his statement at the NATO Headquarters in Belgium in July 2018. Revenue has grown steadily from 10% of GDP in 2015 to 11.8% in 2018, according to the IMF. Furthermore, the country’s political elite is visibly transforming. The proportion of women in the current cabinet has increased in comparison to previous governments. Furthermore, a Budgetary Reform Program was introduced with the 2018 national budget to “disclose, constrain, and fix” budgetary policy-making. Nevertheless, the realization of policy priorities and implementation of the government’s agenda is lacking. Reforms related to substantive issues (e.g., security and elections) have not been properly implemented. Large-scale economic projects such as TAPI have not been realized due to security issues. Furthermore, the NUG has been criticized for its inability to handle the country’s humanitarian crises appropriately.

Since President Ashraf Ghani took office in 2014, he has formed a number of councils and commissions in order to ensure effective monitoring and evaluation. This is symbolic of his distrust in his cabinet, as the councils and commissions enable him to bypass the cabinet. However, the deliberation of important issues and implementation of critical reforms remains a challenge. For instance, the promise to reform the electoral system has not been delivered on.

Occasionally, however, the NUG has been able to develop new policy proposals and priorities based on previous failures. In addition, the government has taken up some international policy trends. At the international level, the government has mobilized important players to counter the increasing threat from insurgents. Compared to the previous government, the NUG consults all societal groups, including the women’s jirga (assembly of leaders) and the Shura-e Ulama (scholars’ council), as well as various youth groups. Furthermore, the NUG is widely perceived to favor the appointment of academic and industry experts to governmental bodies. The proportion of women in Afghanistan’s political structures has increased substantially at the national level, although not at the local level.
15 | Resource Efficiency

Through improvements in tax administration and the introduction of new policy measures, the National Unity Government (NUG) has attempted to bolster domestic government revenue collection. Exports of goods increased from $596.46 million in 2016 to $831.93 million in 2017. Meanwhile, an NUG initiative increased the salaries of civil servants. On the other hand, the number of politically motivated dismissals and public servant appointments since 2014 is extremely high. Haneef Atmar, a former national security adviser, and Sayed Sadat Mansoor Naderi, the former minister of urban development and housing, are among the senior officials who have resigned from their positions under the NUG. Parliament still does not have full oversight over cabinet appointments, with key appointments directly determined by the president, who is accused of being selective, nontransparent and biased in favor of Pashtuns. On the other hand, the Independent Administrative Reform and Civil Service Commission, which appoints public servants, is accused of being corrupt. Since President Ashraf Ghani took office, he has restructured the cabinet and government. However, this has limited the efficient use of existing human resources. The permanent changes within important power centers (e.g., ministries and independent commissions) has resulted in a deceleration in the implementation of reforms. Therefore, the effective use of resources remains a challenge. Despite instability and drought, Afghanistan exported $878 million worth of goods in 2017, of which most were agriculture goods.

The National Unity Government (UNG), formed in 2014, has seen a rift between the executive and the legislative bodies. However, the rift has not had a domino effect. In order to develop an effective monitoring system, the National Procurement Authority (NPA) was established in 2014. The NPA provides a connection between procurement and all other sectors in government. This gives the NPA (headed by the president) the authority to make decisions over economic projects, which has enabled the president to sidestep the ministries. There are some interministerial taskforces and working groups that ensure policy coherence. However, having two executives creates problems of its own. For instance, President Ghani and Executive Chief Abdullah have always had different opinions concerning key cabinet appointments. They are still in opposition over the implementation of the electronic identity card, which should have been a part of the electoral reforms. Furthermore, cooperation between the Independent Election Commission of Afghanistan and the Electoral Complaints Commission is poor, which dramatically undermines accountability. However, the government is attempting to systematically tackle corruption, as demonstrated by the anti-corruption laws enacted in 2018.
Corruption continues to be one of Afghanistan’s biggest concerns. The Anti-Corruption Justice Center was established in 2016, while the Afghan Compact (AC) was launched in 2017. The AC aims to create a peaceful, stable and prosperous Afghan society, and includes benchmarks in four key areas: governance, security, peace and reconciliation, and economics. Under this initiative, however, only 13,600 Afghan government officials have registered their assets. Still, at least one minister has been suspended following allegations of corruption. Nevertheless, as the Special Inspector General for Afghanistan Reconstruction (SIGAR) reported in 2018, the implementation of anti-corruption policies continues to be limited and directed largely against low-ranking officials. Corrupt powerful officials within the Afghan government remain unaffected. However, an Integrity Watch Afghanistan survey (2018) found that the NUG’s anti-corruption policies have slightly increased public awareness about anti-corruption initiatives (e.g., what to do and how to report corruption). According to SIGAR, the Anti-Corruption Strategy (2017), with its five pillars, has failed to fulfill international standards. Moreover, in its implementation, the strategy does not cover all the important governmental bodies, such as the Ministry of Defense. This make anti-corruption efforts appear half-hearted. Furthermore, there is no legal regulation of Afghan party financing.

16 | Consensus-Building

Afghan governments since the toppling of the Taliban regime in 2001 have been formed by former rebel and Islamist parties. Previous warlords continue to play an important role in government even now. Though political actors who operate within the Afghan state do not openly act against democracy. Most political parties are unanimous that proper electoral reforms should be introduced and implemented, excluding the Taliban and IS-Khorasan, which reject the democratic system.

In general, relevant actors within the state support the economic initiatives of the National Unity Government (NUG). The NUG has attempted to achieve its economic objectives through regional cooperation and trade agreements. Thus, political actors with economic resources consider this as an opportunity to pursue their economic interests. However, due to the NUG’s underperformance at the local level, it is slowly losing the support of some central voices.

Former rebel and Islamist groups have firmly established themselves in the state-building process since 2001 and subsequent government structures. In turn, the government seems to have little control over the anti-democratic forces that are part of the system, even when the government had been fighting the Taliban. However, the central problem that the government has tried to address concerns the resurgence of rebel groups. Indeed, one of the key promises of the NUG was to push the peace process forward. Accordingly, a peace deal was signed by the NUG and Gulbuddin Hekmatyar, the leader of one of the country’s largest militant groups, Hez-e Islami
– with Hekmatyar allowed to return to Kabul in 2017. A new NUG initiative (2018), which aims to rein in the country’s warlords and local power brokers, has not met equal success. For instance, the NUG arrested several local militiamen involved in armed robberies, murders and drug trafficking. Yet, the militiamen were either linked to strongmen in the government or were ethnically entrenched, and the government was reluctant to apply the law for fear of provoking conflict.

Ethnicity is an important factor in Afghanistan’s political structure and conflicts. Ethnic complexity makes it difficult to study Afghanistan, as the relevant data remains unavailable. Still, one can make a few points with reference to a few events. The current president, Ghani, is accused of promoting policies that favor a Pashtun ethnic-nationalist agenda. President Ghani belongs to a Pashtun Ghilzai tribe. He is known to favor the appointment of young educated Pashtuns to government positions and to take a milder stance toward Pashtun warlords. Nevertheless, his cabinet includes members from each of Afghanistan’s ethnic groups, including Tajiks, Uzbeks and Hazaras. However, in general, the public perception is that ethnic and regional affiliation are important policy variables in political decisions made by the government.

The National Unity Government cooperates with civil society organizations, particularly in relation to the peace process with insurgents and national political issues. President Ghani is known to promote a stronger role of civil society at critical moments. The National Priority Programs launched the Citizens’ Charter Afghanistan Project. The project is a partnership commitment between the state and local communities. The role of civil society organizations (CSO) in achieving development and reform is recognized by the government. Nevertheless, the government does not contribute financially to CSOs – although CSOs are a crucial third pillar in the political system, according to the Afghanistan Institute for Civil Society.

The National Unity Government has prioritized securing peace. In 2016, a peace deal was signed with Gulbuddin Hekmatyar, leader of Hezb-e Islami, as part of the Afghan-led reconciliation process. Subsequently, Hekmatyar’s name has been removed from the blacklist of terrorists. However, not everyone was pleased with the deal, with residents of Kabul known to have voiced concerns. Nevertheless, as several war criminals (e.g., Abdul Rashid Dostum) are now part of the current government structure, the government was able to make its point without much opposition. After this success, President Ghani declared a three-day cease-fire with the Taliban on Eid al-Fitr 2018. The three-day cease-fire was widely respected, representing a success for the government. However, a second cease-fire proposed for Eid al-Adha 2018 was rejected by the Taliban.
17 | International Cooperation

Afghanistan is currently experiencing the longest state-building process in its history. As a result, it relies heavily on external aid and support. Compared to previous Afghan governments, the current Nation Unity Government (NUG) has pursued clear political and economic development strategies. Accordingly, the results of their commitment, which emerged from the 2016 Brussels Ministerial Conference, were presented at the Geneva conference 2018. Based on the NUG’s development achievements and political progress since 2016, the conferences’ participants pledged to support the Afghan government. Moreover, the efficient and transparent monitoring and review of Afghan government reform will further strengthen mutual accountability. Yet, despite external support for administrative capacity-building and economic development, the NUG is struggling to use national resources effectively. In this regard, even the indirect support of the United States in monitoring and evaluating Afghanistan’s anti-corruption goals fails to realize its potential. The NUG failed to use international support to deliver a credible electoral process and parliamentary elections were delayed for three years.

Moreover, the Afghan government has been called on to focus on health care, public sector and judicial reform, and ensure maximum transparency and participation in the upcoming presidential election. However, these calls are late, since the five-year term of the current presidential administration ends in 2019.

The current National Unity Government (NUG) embodies an ideal reliable partner for the international community. However, while President Ghani is widely seen as a reliable partner, the credibility of the government struggles. This deficit has been addressed by a further reliance on international financial support.

Key factors that have affected the credibility of the Afghan government include the mismanagement of the 2018 parliamentary elections, the sidelining of opposition parties and the destabilizing role of individual leaders. On the other hand, the NUG is seen as a credible partner by the Central Asian countries (especially Uzbekistan and Turkmenistan), India and the UAE. Accordingly, the NUG has signed several international trade, commerce and security-related agreements since January 2017. As such, trade with Central Asian countries and India has increased. However, Afghanistan’s relations with important neighboring countries like Iran and Pakistan remain strained. On the other hand, Afghanistan has been a member of the International Crime Court (ICC) since 2003 and has welcomed ICC activities in Afghanistan. Though several people accused of war crimes by the ICC are still a part of the government.
Regional cooperation is a key pillar in Afghanistan’s foreign policy. Accordingly, relations with neighboring countries and regional partners are considered important, especially given the role of international cooperation in the country’s internal conflicts.

Afghanistan plays a major role in several regional conferences, including the Regional Economic Cooperation Conference on Afghanistan (RECCA) and the Heart of Asia – Istanbul Processes (HAIP). Through its regional policy, the Afghan government seeks to improve its relations with neighboring countries, although the country’s relations with Pakistan and Iran remain far from ideal. Through membership in the South Asian Association for Regional Cooperation (SAARC), Economic Cooperation Organization (ECO), Central Asia Regional Economic Cooperation (CAREC) and the Shanghai Cooperation Organization (SCO), Afghanistan aims to bolster its regional role. Afghanistan attempts to play an important bridging role between Central Asia and South Asia. For instance, the TAPI (Turkmenistan, Afghanistan, Pakistan and India) project was launched in 2015. The project involves the construction of a 1,814-kilometer gas pipeline, which will run from Turkmenistan through Afghanistan to Pakistan and India. Similarly, Afghanistan played a major role in the development of supporting infrastructure (e.g., roads and railways) for Chabahar Port, which was completed in 2018. The port and linking infrastructure now connect India via Afghanistan with Iran and Central Asia, which will open up the Afghan economy. Several air corridors linking Afghanistan with India, China and Turkey have been established as a part of RECCA Priority Projects. The NUG is working to achieve greater credibility and has put forward several strategic economic plans involving regional and international partners, which would transform Afghanistan from a financially dependent country into a veritable international partner.
Strategic Outlook

The Afghan state faces two major challenges: the increasing threat from insurgents and weak political institutions. Due to these challenges, the government is unable to effectively implement many of its reforms and ensure stability.

In recent years, the growing power of the Taliban has posed a fundamental threat to the Afghan state and democracy in Afghanistan. At the same time, the threat also highlights the limitations of the international state-building processes and the Afghan security sector. The state’s monopoly on the use of force is limited, which prevents the effective nationwide implementation of reforms and restricting state power at the local level. This prevents the Afghan state from delivering basic public goods, undermining state legitimacy and accountability. In addition, this also creates space for the local warlords, who continue to integrate themselves into state structures. The Afghan state attempts to co-opt local warlords into the system, which affects state’s performance in the long run.

After 17 years of state-building, political institutions in Afghanistan are weak. Corruption, nepotism and clientelism have undermined state institutions. Given these structural problems, democratic reforms introduced by the state fail to deliver or live up to expectations. Consequently, public perception of the state’s legitimacy is low.

To gain legitimacy, the Afghan state needs to deliver public goods efficiently and effectively. This, however, requires accountability. A first step in this regard would be to decrease the influence of local strongmen and ensure a peaceful, stable situation. Ensuring peace, among others, would require negotiating with rebel groups. Although under the present government, the influence of former rebel groups has declined remarkably, the state continues to rely on these rebel groups. For example, anti-Taliban forces provide substantial armed support to the Afghan state in its anti-Taliban efforts. Economic reforms have relied on close regional cooperation. However, economic cooperation could theoretically produce a counterproductive effect, helping the Taliban in the meantime or threatening to destabilize the domestic economy. However, Afghanistan needs stability for economic growth. In turn, the security sector requires Afghanistan to be more self-reliant, which could be achieved through the decentralization of power within a federal structure.