



Feature Article  
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## How is Afghanistan Really Doing?

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The Afghan peace talks are the order of the day. The negotiations themselves are wrapped in secrecy. But are Americans (and NATO allies) in a position to evaluate their outcome? This depends in large measure on whether our reigning assumptions about what's going on in Afghanistan itself are accurate. This briefing paper acknowledges that many of them are; Afghanistan remains a very troubled land. But it also presents evidence that those assumptions are dramatically and woefully incomplete. It argues that important positive developments in the Afghan economy and society have been largely ignored, but are gaining ground over the long term. These in turn demand and justify revisions in strategic thinking in Washington and other NATO capitals.

Americans are well acquainted with the official evaluations of American aid to Afghanistan that



have been issued annually by the Special Inspector General for Afghanistan Reconstruction (SIGAR). Based on voluminous data, these reports present a grim tale of malfeasance and corruption. Headings in the “Executive Summary” of the most recent report include “Widespread Insecurity,” “Underdeveloped Civil Policing Capability,” “Endemic Corruption,” “Sluggish Economic Growth,” “The Illicit Narcotics Trade.” “Threats to Women’s Rights,” “The Challenge of Reintegration,” and “Restricted Oversight.”

The work of the Special Inspector General has been thorough and dispassionate. To be sure, one can challenge his findings in several areas.

To take but one example, the American University of Afghanistan, initiated by Laura Bush with USAID assistance and maintained by an intrepid band of public citizens is, by any measure, one of the premier American “legacy” projects in Afghanistan. But in 2019 the Special Inspectorate claimed that \$63 million of the University’s funding were unaccounted for, a story which the *New York Times* printed on 30 May 2019. USAID itself acknowledged that the claim was baseless and the *Times* made sixteen redactions to the story, but the damage was done.

The press has reported extensively on each of SIGAR’S annual reports and their contents have been thoroughly aired in Congress. Largely absent from these discussions is the fact that, as the Special Inspectorate itself points out, the bulk of U.S. spending has gone towards security, which in 2018 claimed 82% of the total U.S. budget for the country. What is left must cover the vast territory of economic, political, social, and educational development. It is all too easy to tar U.S. assistance in these areas with the same brush used for military expenditures. Also to be noted is the fact that many large expenditures went directly from the USG to its contractors, without any involvement of the Government of Afghanistan.

It is easier to prove malfeasance and negative outcomes than positive results. The former can be demonstrated by auditing the U.S. Government’s internal documents, while the latter requires detailed and comprehensive data on the society as a whole. From the perspective of the press, the SIGAR reports are a godsend. They provide what appears to be authoritative

evaluations of Afghanistan’s progress, or lack of progress, as a whole – something that the Inspector General has never claimed and which is quite beyond his writ. By focusing narrowly on it, financially pressed media are spared the need to hire linguistically competent journalists and send them on long research trips to Afghanistan, outside of what is perceived to be the relatively safe zone of Kabul.

However, it must be stressed that the reports of the Special Inspector General for Afghanistan Reconstruction do not constitute an evaluation of the progress, or lack of progress, of Afghanistan as a whole, nor do they purport to do so.

Here, in telegraphic form, are just a few of the facts that the U.S. Government and public media have failed to include as they analyze Afghan progress:

- The Taliban controls a far smaller part of Afghanistan than is reported in the American press. Not one of the country’s 34 provincial capitals is in their hands, and they are able to control no more than 75 of the 400 district capitals for more than an occasional few days. The statement that the Taliban controls a high percentage of Afghan territory is deceptive because most of that territory is in the unpopulated desert South, and not in areas of significant economic activity.
- Despite the economic hardships in the wake of the military drawdown of NATO and U.S. forces, Afghanistan has been able to preserve macroeconomic stability. Between 2015 and 2019 the government implemented two

- ambitious IMF-supported macroeconomic stability projects that addressed weaknesses in the banking and fiscal sectors. Afghanistan's new central bank law is rated as one of the best in the region. The country's currency has remained stable and inflation has been kept under control.
- During the past four years, revenues of the Government of Afghanistan have more than doubled. The reformed national budget introduced in 2018 provides unprecedented levels of transparency. That the government itself now directly executes 90% of its development budget, compared to a historic average of around 50%, further strengthens accountability.
  - Afghanistan's GDP has grown from US\$ 2.42 billion in 2001 to 20.82 billion in 2020.
  - Afghanistan's trade growth is 11.38% compared to a world growth of 3.50%.
  - Afghanistan's exports grew from \$66.3 million in 2001 to 879 million in 2017.
  - Afghanistan's imports grew from \$366 million USD in 2001 to 5.07 billion in 2017.
  - During the past four years, revenues of the Government of Afghanistan have increased by 90%. Current projections call for continuing increases of at least 10% per annum.
  - Last December Afghanistan successfully met every benchmark the International Monetary Fund had set for the country. As a result, Afghanistan is now able to borrow on a concessionary basis, which is not available to its larger neighbor, Pakistan.
  - Three years ago the G-7s Financial Action Task Force (FATF) removed Afghanistan from its "grey list" of countries whose financial systems are plagued by money laundering and corruption. Afghanistan has maintained that status since then.
  - The World Bank projects Afghanistan's GDP growth to reach 3.5% by 2021.
  - Afghanistan's national debt has been cut by half in a decade. Its low debt-to-GDP ratio, at 7:10, is comparable only to Brunei and Kuwait in Asia.
  - A key barrier to starting new businesses is the lack of access to electricity. As recently as four years ago Afghanistan had nine separate "islands" of electricity. Today 27 provinces are connected to the national grid. In these provinces the cost of electricity has fallen to a fifth of sixth of its former price. By 2022 all of the thirty-four provincial capitals will be linked to a single national grid.
  - With assistance from the World Bank, Afghan will soon receive electricity from its northern neighbors Kyrgyzstan and Tajikistan and re-export it to Pakistan, reaping profits as it does so.
  - After lengthy delays, work in Afghanistan will commence this spring on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, with funding from Saudi Arabia, Kuwait, the Islamic Development Bank, etc. Besides reaping large transit fees, Afghanistan will receive gas and factories to convert gas to fertilizer. The Taliban have indicated they will not interfere with this project.

- The American University of Afghanistan has now graduated more than twelve hundred students, among whom 28% are female. It plans to open permanent professional development centers and business innovation hubs in Mazar-e-Sharif and Kandahar.
- Thanks to their newfound interest in their neighbor, the other countries of Central Asia are sponsoring hundreds of Afghan men and women to study at their universities, meeting with Afghan Chambers of Commerce, and planning joint projects with Afghan business people.
- Pakistan has established a new English-language engineering university in Mazar-e-Sharif.
- Kabul Airport, recently rebuilt and expanded by a Turkish firm and paid for by Germany, now bustles with daily flights to eight countries.
- Until recently, Afghanistan's only international airport was at Kabul. Today Herat, Mazar-e-Sharif, and Kandahar are all linked with such international hubs as Istanbul, Dubai, and New Delhi.
- Using these and other new routes, Afghan entrepreneurs have developed major fruit and vegetable exporting firms.
- With the end of a multi-year drought, Afghanistan's agricultural production grew by 2.5% last year.
- In the past five years 200 women judges have been appointed, a number that exceeds all of Afghanistan's neighbors, including Pakistan, Iran, and the other countries of Central Asia.
- Over the past five years over 2,000 generals and other senior military personnel were retired, to be replaced by younger and better trained officers.
- Over the past five years the Government has adopted 350 pieces of legislation, more than during the preceding fifty years.
- In 2018 the World Bank's "Doing Business" report named Afghanistan as the country that made the largest improvement globally, moving up by sixteen places.
- The number of infant deaths per thousand births has been cut in half since 2002.
- Life expectancy for all Afghans has risen by ten years since 2002.
- School enrollment increased nine times between 2001 and 2017, with the percentage of girls rising from zero to 37%. Due to waning support, growth has currently stalled.
- Primary school enrollment since 9/11 grew from 1 million (all male) in 2001 to 9.2 million in 2016, while the percentage of females enrolled grew from near zero to over 80.
- According to UNESCO data, basic literacy among Afghan males age 15-24 is now close to 80%; among females, it has risen from under 10% to the upper 50s. For those 65 or older the corresponding figures are 21% and zero.
- Four years ago the Afghan Government adopted the German system of vocational/technical education. With assistance from Germany, there are now vocational/technical institutions in all 34 provincial capitals, with plans to establish at

least one such school in all of the country's 400 district capitals. Within seven years 70% of all Afghan high schools will have been converted to German-designed vocational and technical schools.

- Afghanistan is the only country in the entire region to have adopted the MIT edX system of on-line education. It is now expanding as a supplementary instrument for expanding education in the least accessible areas.
- Taliban fear women and art. The ArtLords group of artists have painted 1700 murals on Kabul walls celebrating both, produced 65 street theater shows, started a gallery and film company, and painted murals in 12 countries all over the world. Kabul now boasts 45 art studios, many led by women.
- A USAID-sponsored trade and investment show two years ago in New Delhi drew 1,000 Indian businesses and 200 Afghan firms and led to MOUs valued at \$214 million.
- After being landlocked for millennia, Afghanistan now has access to Iran's new port at Chabahar and will soon have access also to Pakistan's competing port at Gwadar. Both will increase export prospects, while competition between them will drive down prices for Afghanistan.
- A railway connection from China via Uzbekistan to Hairatan in northern Afghanistan was opened in 2016, allowing goods to be carried from Eastern China to Afghanistan in two weeks compared with six weeks by road. The inauguration of the railway is expected to boost Afghan exports allowing more investment from China,

already the largest investor in Afghanistan since 2014.

- Uzbekistan is leading the construction of the railroad from its border across Afghanistan to Chabahar.
- Finally, in the past three years Afghanistan has greatly expanded its ties with the five formerly Soviet countries of Central Asia and is now linked with them through goods, energy, information, data, and business contacts. By enabling them to send goods to Southeast Asia and the Persian Gulf region, Afghanistan helps them counteract pressures from Russia and China.

Arguably the most important change in Afghanistan is that since 9/11 a new generation of Afghan businessmen and women has emerged, fluent in English, often western trained, modern, and eager to establish businesses that meet normal international standards of transparency and accountability. Such entrepreneurs, starkly different from their fathers and grandfathers, are to be found in all the leading cities, Mazar-e-Sharif, Herat, and Kandahar, as well as Kabul.

Obviously, all is not so rosy in Afghanistan. Foreign direct investment (FDI) picked up during both the Obama and Trump eras up after talk of an immediate U.S. departure ended, but remains low. Inflation has been moderate but is expected to climb. In some regions attacks on schools and especially girls' schools have increased, and the respected American University Afghanistan was hit by a bomb and kidnapping. Finally, while there are indications

that the new entrepreneurs are repatriating at least some capital from Dubai, capital flight remains a problem.

In spite of all this, the World Bank's Development Update concludes on a positive note:

Slow growth generally reflects the impact of negative shocks rather than deterioration in government policy. In fact, the government has, by many measures, maintained progress with policy reform even during these difficult times. Government revenues reached a new high of nearly 190 billion afghanis in 2018, up seven percent from 2017, the Update notes, while budget execution rates also reached record levels.<sup>1</sup>

It is undeniable that the Taliban and foreign terrorists remain a significant factor in Afghan life. But even here, positive signs mix with the negative ones. Limitations on their reach have already been noted. Moreover, the Taliban's leadership is ageing and a serious gap has opened between those leaders who live comfortably in the Gulf and fighters in the field. And the steady expansion of the modern sector of Afghanistan's economy poses a rising challenge to every young Afghan: to get on board this development or to continue to fight it, as did their fathers and older brothers.

A generation ago Taliban leaders famously quipped that "You have the watches but we have the time." This may no longer be the case. Is time now on the side of a still impoverished

but rapidly modernizing Afghanistan? If so, American policy should be adjusted to take this into account and build on it. This means not abandoning what the US and NATO have achieved, and instead embracing the realistic possibility of a brighter future.

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<sup>1</sup> "Afghanistan Facing Strong Headwinds to Growth, World Bank Says", World Bank Press Release, July 21, 2019.