

Fixing Failed States: From Theory to Practice

Ashraf Ghani

President, Islamic Republic of Afghanistan

Chair: Michael Keating

Senior Consulting Fellow, Asia Programme, Chatham House

4 December 2014

The views expressed in this document are the sole responsibility of the speaker(s) and participants do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions. The published text of speeches and presentations may differ from delivery.

Robin Niblett

Ladies and gentlemen, welcome to Chatham House. Delighted you could all join us this evening. I hope that you will join me and my colleagues at Chatham House in giving a very warm welcome to Dr Ashraf Ghani, president of the Islamic Republic of Afghanistan. It's a pleasure to have you back here with us today. The last time you were here was 2008 actually, the last time you spoke here, in a very different capacity. So we're all the more pleased to be able to welcome you here today.

Let me just say a word or two about the format, which we've been working with as we walked down to the room here. I think the format that the president has agreed to undertake is actually the ideal one, which is that he is going to be in conversation with my colleague, Michael Keating, rather than giving us a prepared statement, and then taking questions. I think this way certainly we'll have the opportunity to make the most out of this evening.

I'm especially pleased to be able to do it because Michael Keating is the co-director of our project, a two-year project running right now, on 'Opportunity in Crisis'. I think the title, as Michael has noted to me before, was maybe bold and even a gamble a year and a half ago, but captures that element of opportunity in crisis. I think the way we've been able to get to this moment of having you here today – the conference taking place in London, the agreement after the recent elections – there is a moment of opportunity, even if it is still a period of great difficulty in Afghanistan. We look forward to hearing your remarks on this.

Our project has been running for about a year, thinking about how we can contribute in our small way toward supporting you and others to think about peace, reconciliation, development, security in Afghanistan. A series of papers we've had a chance to put out, and you can find them all on our website if you wish to follow up there.

I want to remind everyone this is on the record, and it is also being live-streamed. So welcome to our members and guests who are joining us in that particular way.

I think although, Mr President, you are well known to all here, it is worth me saying just a couple of words in terms of introduction, as well for those who haven't had the opportunity to hear you speak before. Dr Ashraf Ghani was brought up in Afghanistan but, like many, had to leave for his education outside the country. Held a distinguished career academically both in anthropology and in political science. Took those skills over into the World Bank, where he specialized in international development, working in South Asia. Following the fall of the Taliban in 2001, he returned to Afghanistan. He advised then interim President Hamid Karzai and was the finance minister in the transitional government of Afghanistan in that period. Having not joined the government in 2004, he co-founded (very importantly, with Clare Lockhart) the Institute for State Effectiveness. I think it was probably in that capacity that you joined us in 2008. He also served as chancellor of Kabul University and on many commissions looking into issues of dealing with failed states and transitions, the issues that you'll be discussing with us today. He went back to Afghanistan, served as chairman of the Transition Coordination Commission in 2010, and carried on in that position until he resigned to run for the presidency in 2013. And now, being declared winner on 22 September.

So enough of the introduction. Here's an opportunity for us to turn over to you, to hear your insights and your thoughts about the future, and for me to hand over to Michael. I want to mention and also recognize his colleagues Matt Waldman and Mina Bahadur, who have both been working tirelessly on this project with our colleagues in Norway, the United States and Afghanistan. We're so pleased to be able to follow up on those ideas. Over to you, Michael, and thank you all for coming today.

Michael Keating

Mr President, may I echo Robin in saying what a privilege and pleasure it is for us to have you here. I know how busy you are while you're in London. There's a cricketing expression called a googly, which is when a ball is bowled at you which you weren't expecting. And you just bowled one at me, because –

Ashraf Ghani

You've done that repeatedly to me, so what's new? [laughter]

Michael Keating

– because you're not going to make prepared remarks, we're going to have a conversation. What I'm going to do is open the floor up after a while, because I know there are a lot of people bursting to ask you questions. I think the first obvious question to ask you is: when is the next edition of your book coming out? Because you wrote it eight years ago and it's very rare to have the author of the manual actually managing a state and implementing, as it were, your own theories. Have you learnt a lot even since the time that you wrote the book with Clare Lockhart, six or seven years ago?

Ashraf Ghani

In the name of God, the compassionate, the merciful: first of all, thank you for having me. I was so looking forward to Chatham House Rules being applied in Chatham House, but of course, I love a public conversation. Thank you for those kind words.

Yes, because learning is a continuous process. Let me just make a couple of framing questions. The first thing I've learned is how to create political capital. What the technical discussions ignore is fundamentally that all processes of state formation are political and moral. You need a moral compass in order to put the country above yourself. That means you have to generate political capital, not political division. The act that my colleague and friend Dr Abdullah, our VPs, our old friends, were able to take in Afghanistan required both moral courage and determination and a sense that divisive politics would lead to denial of opportunities to the absolute majority of the people. Hence, that's the first point.

The second is, there is a lot of discussion of political will in the literature, but it's not grounded in anything. So they say, well, they either have political will or they don't. What's the dynamic of creating political will? The first basis of having political will is to have political capital, because then you calculate how much of it you're willing to use and how will you renew it.

This means going back to one of the critical issues we put in *Fixing Failed States*, that the purpose of the state – if you still speak in that kind of moral language – is to serve the citizens. I'm a servant, and as servant, I know who my masters are. My masters are the citizens of Afghanistan. So we need to be able to generate the decisions that allow this dynamic. We have taken hard decisions. It has resulted in

temporary depletion of our political capital, but because they were based on well-thought-through actions, the capital got enhanced.

The other is: governing, unlike academic thinking, is relentless. Time does not wait for you. Had we not confronted the Kabul Bank on the second day, I would not have the political capital to speak to the world or to our people. Had we not taken the decision to approve the bilateral security agreement, sign the bilateral security agreement and the status of forces agreement, we would not have had the consensus. So these are part of the issue.

The other is: theory, if it's to be translated to practice, needs focus. Focus means you have to acknowledge what you inherit, and what you inherit is both dysfunctionality and pockets of excellence. It requires determination to define what the problem is and building the processes of the state. Owning the problem is fundamental to solving it. If you are in denial that we have a problem, we cannot formulate the vision.

Michael Keating

The opinion polls about you in Afghanistan are truly extraordinary. You must be the most popular person since opinion polls started in Afghanistan, but certainly you're riding very high. You mentioned managing expectations. Yet you face a number of very serious challenges, economic, security, political and so on. How can you continue to meet those expectations and manage those expectations? You talk of focus, which presumably means priorities as well. Should priorities be set on the basis of popular expectations?

Ashraf Ghani

Two things. Don't take opinion polls seriously. They will come and they will change. The key is to have a compass. If you don't have a compass and you shift with the winds, you're not going to deliver to the people. I'm not elected to be popular, I'm elected to be effective. People are going to judge me by effectiveness, by delivery. We got the talk right; it's the doing that creates the sense of confidence.

But second, the people of Afghanistan have shown enormous wisdom. I bow to that wisdom. Look, 38 per cent of our women participated in the election. Women who had not gotten out the house for 30 years of their lives, got into cars with their husbands who previously would not allow them or their children, and went and voted. What do they want? Why did they come out? From the remotest corners of the country – you know, I had no money. I had no official backing, etc. But why did people come out with such massive numbers? Because they want profound change.

It's that sense now, the people – we had to have a notion, very common in political science and other places – the silent majority. The Afghans are not silent. We have a voice. The voice is very loud and clear. So things they want are not things for themselves. People want a different life for their children, a profound overcoming of the last 30 years. So my priorities are those of the people. It's the sense of balancing those on a daily basis, on a weekly basis, on a monthly basis, that guides me. I think we will be able to overcome because we have no other choice.

Michael Keating

One of the interpretations of the elections was that people were voting against insecurity. They were voting for a right to choose. They were voting for a safer future. Yet at the moment, we're facing a horrendous – and please accept our commiserations for all the violence that is taking place – a horrendous spike in violence, in terms of civilian casualties, in terms of police and soldiers losing their lives or being injured, in terms of people being displaced, IDPs. What do you think explains this spike in violence? Is it a trend or is it a spike? At a time when security is the top priority for everyone, how can this be addressed?

Ashraf Ghani

First, let me put it in comparative perspective. Every movement of violence, before coming to peace, spikes up. Look at every single peace agreement in the world. Prior to reaching peace, there has been an upswing, because it is about negotiating space. It's about demonstrating relevance.

Second, attacks on civilians are a sign of weakness, they are not a sign of strength. Who but a coward kills people in a volleyball field? Children! For god's sake, is that the depths in which we have fallen? The Islamic civilization defined humanity at large. We translated the Greeks, we translated the Indians, we translated the Chinese, and gave them to the world. Now, killing the children in a volleyball field is going to deter me? We need to understand that this is a sign of weakness, it is not a sign of strength.

Thirdly, if they feel or anyone else feels that the Afghan state is about to collapse, I have news for you: we have lived 5,000 years, we are going to be there for another 5,000. Don't misjudge us!

The other thing is: we're determined. We have a national consensus on peace as our priority. Violence is directed to detract us from the path of peace. We will not be detracted. Political problems must be solved politically, but that segment that is dedicated to violence for the sake of violence will be isolated. The water within which they were swimming, the pond is going to be dried. Let us be clear.

And our security forces, I want to pay tribute to them. They've done the job 150,000 ISAF and NATO troops were doing, and against all predictions of four years ago. Both friends of Afghanistan and detractors – we are meeting our security targets. On the 31st of December, the combat mission of ISAF/NATO will end. Afghans again will be in charge of the legitimate use of force. All decision-making regarding the legitimate use of force is going to be based in the Afghan government. This will change the dynamic and the narrative. The narrative was that foreigners are here, foreigners are in occupation, foreigners will never leave. It's over. We have taken charge and we are an elected government. Besides being elected, we are a government of national unity, and that should count for something.

Michael Keating

Mr President, I think you've lifted the spirits of many Afghans by talking about the priority you give to bringing peace. At the SARC meeting recently you talked about just how high a priority this is for you. You've just said that before peace processes start, there is often a burst in violence. Does this mean that you see a peace process as fairly imminent and that you see a peace process as a fundamental element in bringing that violence to an end?

Ashraf Ghani

The peace process is fundamental to bringing it to an end. I'm not going to conduct public diplomacy regarding the peace process. It must be a deliberate process. We intend to deliver, we don't intend to talk about delivering. Give us the space and the time and you will see the results.

Michael Keating

You've just come from a very successful conference in which the formation of the government of national unity has been hailed as a terrific opportunity for the country. You mentioned the three transitions: the economic transition, the political transition and the security transition. I think you were saying that the economic, in a way, is perhaps the most pressing and the most difficult, and where least progress has been made. That's partly because of the immediate cash flow problem and the long-term structural deficit and so on. How are you going to tackle that, given the number of priorities and given your well-known commitment to creating jobs and so on? How are you going to get into that one?

Ashraf Ghani

First, the economy got distorted because ISAF/NATO became the largest economic actor in the country. So the unintended presence of a very large military organization was a major economic distortion. It's totally unintended. For instance, the transport sector grew to account for an amazing almost 22 per cent of GDP, because trucking was Afghan for supplies. The construction sector. Every year the percentage of agriculture in the GDP has declined. A lot of cash came but it did not become capital. Also, we have a section of the economy that got heavily criminalized, which is part of global criminal networks. The global criminal economy is \$1.7 trillion a year (Davos estimation). The bulk of the profits from the criminalized drug economy goes to the international market.

So given all this, when we started the security transition, I wrote a paper arguing that the economy would face very significant challenges. Unfortunately our colleagues in the development community did not buy my argument. They were very optimistic, and their projections, if you look at them. I argued that the rate of growth could come down to 2 per cent or approach zero, and that's where we've reached.

Michael Keating

Yes, 1.5, I think.

Ashraf Ghani

Exactly, 1.5. So now what do we do? The first issue is market-building has been very weak. The international development community talks about the private sector as though it's an organic

phenomenon and it exists everywhere. Market-building is an historical process. You in Great Britain, the first [indiscernible] on citizenship was about how freedoms came as a result of removing restrictions on guilds. Civil rights preceded political. We need to look at those problems that the market can solve. There is an immense potential. For instance, 75 per cent of Kabul's residents are estimated to have informal property rights rather than full property rights. In 1978, probably not more than 5 per cent was informal. Next year we intend to begin a massive programme of giving full property rights to people *in situ*. Figuring this out, I think we have figured it, is going to be a breakthrough.

Michael Keating

This has been tried in Latin America.

Ashraf Ghani

It has been tried in Latin America but on a very small scale. I think we are going to do it with a combination of learning from Latin America and others. DeSoto, my friend, has put the theory. I think with his help and others, we can really do it on a scale that will be very significant.

The second element is to look at Afghanistan's assets. At first blush, everybody wants to talk about our minerals. I want to reverse the process. We want to first talk about our location. For 200 years, our location has been a disadvantage. In the next 20 years, it's going to become solid gold. All roads between South Asia and Central Asia can only lead through us. We can become the transfer point with East Asia.

Michael Keating

The roundabout.

Ashraf Ghani

The roundabout, the Asian roundabout. So we are beginning with the first national infrastructure programme, to connectivity. This will generate the capabilities. We've moved from theory to practice. Central Asia/South Asia 1000 (CASA-1000): it's a project that takes electricity from Kyrgyzstan to Tajikistan to Afghanistan to Pakistan. It's been signed into law and into an agreement, and \$1.2 billion of financing is already there. We are moving to turn our first major river into a source of generation of electricity and creating the connectivities.

Our second asset is water. We have five river basins. Except for China, we provide water to every one of our neighbours, yet we only use 10 per cent of our water in modern [indiscernible]. We lose 800 million to 1.5 billion to floods and then another one to droughts. Managing our water is critical now. So 20 dams, all from internal rivers, that have not been completed will be the driver of this.

The third is, we have money. But money is not capital, because firm formation has not been attempted. So how you get – it's not the private sector in abstraction, it's formation of firms, small, medium and large. We are turning the budget into an instrument. Our budget is 40 per cent of our GDP but it has not been used to generate economic activities because it's been an abstract relationship between supply and demand. It's these sets of connectivities.

Lastly and immediately, we want to create one of the most labour-intensive programmes after the New Deal: building on those sets of things and combining it with a lot of approaches that we've learned from others, so we can tackle the question of jump-starting the economy.

Michael Keating

The neighbours of Afghanistan, after 36 years of more or less continuous conflict, must need some persuasion that Afghanistan, as you put it, is a resource not only for the people of Afghanistan but also as a resource for them, and a place they can safely invest in. Do you think it's going to be easy to turn around those anxieties and perceptions and long-held views of Afghanistan as a difficult neighbour, rather than one that is a common resource?

Ashraf Ghani

There are several aspects to that. First, we are not the only source of danger.

Michael Keating

That's true.

Ashraf Ghani

What the last experience has shown now is that our fates are bound. If you look into the state system, states are the constitutive units of the international system. When one state breaks out or a group of them break out to behave like non-state actors, the entire system weakens.

Second, a collapsing state or a failing state exposes the weak points, the soft underbelly of the system. Exposure becomes very wide. We are in one of those moments, with Syria, with Iraq, with Libya, with Yemen. So this phenomenon – now the risks can no longer be ignored. You could have had attitudes before that there are good and bad terrorists, their support. It's this dawning of the realization that the threats are common and the response cannot be by single country. You cannot build a fortress around a state or around a continent. As a result of this, I see a new opening.

The second is that the dissolution of the Soviet Union, the take-off of Central Asia now, is opening up a set of possibilities regarding resources that previously were not there. We are reconnecting to our remote past. There's a fantastic book by Fred Starr, let me plug it: it's called *Lost Enlightenment*. It's about

Central Asia from the 3rd century BCE to the 12th century. It shows how connected the area was, how the connectivities culturally and economically – that culture and the economy interplayed. So we have very deep structures and [indiscernible] that allow us now to resume.

So the story we are saying of the roundabout is not new. This, I think, is being realized and that gives us an opportunity to connect.

Michael Keating

You mentioned Syria and Ukraine. One of the things that's struck me and was reinforced by listening to some of the words at today's conference is just how strong the confluence of international interest is in the success of the government of national unity. You cannot say this about the governments of many other countries that are –

Ashraf Ghani

There has been such national division, [indiscernible] a government of national unity.

Michael Keating

Yes. And you have also said just a minute ago that it's not by your words that you will be judged, but by what you actually do. You've come out of the starting blocks at a cracking pace in terms of Kabul Bank and the BSA and so on. But this country has some experience of trying to keep coalition governments together. It's not easy. What do you think the biggest challenges are going to be in terms of maintaining that unity, given the very difficult decisions that you face ahead?

Ashraf Ghani

I think the risks are much less with us. Your strength is you have institutions, your weakness is that you have institutions. Because when you have established institutions, it's very difficult to agree on reforms.

Michael Keating

So it's about making institutions accountable and functional?

Ashraf Ghani

It's about making institutions accountable and functional. Both of us – Dr Abdullah ran on a programme of zero tolerance of corruption. That's what we are bringing together. The other is, the risks that you outline, the threats that we face, force us to focus on the essential and not on the superficial. So I'm quite optimistic that we can solve the problem.

Then let me confront the famous question: there is no Ashraf Ghani temper, I hope it's been shown.

Michael Keating

I am going to open the floor up in a minute, so I hope everyone will get ready with their questions. I'm most grateful to you for being willing to take them.

Ashraf Ghani

You see, you did so well. If I had given a boring talk, you'd just be sitting here.