

# POLITICAL REGIMES, INSTITUTIONS AND DEVELOPMENT IN AFGHANISTAN



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**CERTIFICATE**

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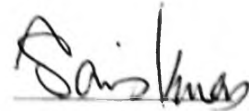
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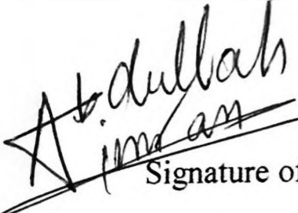


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At any time if my statement is found to be incorrect even after my Graduation the university has the right to withdraw my MPhil degree.

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## **Dedication**

I dedicate this thesis to my late father and my dear mother, who gave birth to me, raised me, and educated me, who spent a fortune of their life on my treatment from a deadly disease, which saved my life and who selflessly and unconditionally cared for me loved me. May Allah SWT shower them both with his countless and divine blessings, Aameen!

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## **Abstract**

Afghanistan is considered to be one of the most undeveloped countries in the world; scoring very low on Human Development Index for decades. This study examines the role of political regimes and formal institutions in the development of Afghanistan. The study employs a mix-method approach. The quantitative analysis has been done using datasets such as HDI from the United Nations Development Program as an indicator of development and Worldwide Governance Indicators as the indicators of formal institutions. Semi-structured interviews have been conducted with Afghan experts, economists, political scientists, politicians and government officials to explore in detail the role of political regimes in the past and institutions in development. The study finds that political regimes that are legitimate, originated within the country, accountable, peaceful, stable, pro-people, and pro-development have a positive and significant effect on development – not necessarily democracy per se. Similarly, formal institutions that are accountable, effective, well-regulated, law-based, and harmonious with informal institutions have a positive and significant effect on development in Afghanistan. Hence, political regimes and institutions have mattered a lot in the development of Afghanistan.


**Keywords:** Political Regimes, Formal Institutions, Development

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# CHAPTER 1

## INTRODUCTION

### I. Background of the Study

Violence, anarchy, torture, murders, expulsions, relocation, theft, damage, institutional loss, and other forms of misery have plagued Afghanistan since 1979. Irrigation systems were demolished, pastures were mined, cities were flattened, highways were built, schools were bombed, colleges were targeted, and educated individuals were detained, tortured, killed, or expelled. Afghanistan has faced violence, lawlessness, displacements, destruction, regime changes and the loss of institutions, infrastructure and human capital which caused very low level of development since war began in late 1970s (Rubin, 2002).

For most of the time, Afghanistan has ranked the lowest in all human welfare or security rankings. With the loss of national institutions, Afghanistan was not on the list of tables of the *World Development Report* for some years. Afghanistan has had the problem of information with the loss of such institutions which were to collect and compile data, there was less information for the world to know where the problems existed. (Rubin, 2002).

These socioeconomic and political issues are seen to be caused or at least related to the regime type and weak state institutions, as well as their recurrent losses as a result of frequent regime changes (Wardak, 2004).

Institutional economics has gained significance and is now utilized to explain a country's poverty or wealth. It is not just geography, climate, or culture that determines whether a country is developed or undeveloped; rather, it is the institutions that determine the level of prosperity and development (Acemoglu et., al 2005).

Regime change has happened several times since the 1970s and due to which, Afghan administrations have never succeeded in firmly expanding their power at the local level. As a result of this, local influentials and power brokers would not confront the state, and in turn, the state would refrain from interfering with them. Whatever the administration in power, a great degree of autonomy has permitted local communities to engage in economic activity while abiding with the tribal and regional law and customs. It is divided administratively into provinces, each of which is governed by a centrally selected governor who is in charge of the government's principal extractive and allocative functions. Provinces are further split into districts and sub-districts, with a designated person in charge of each (Petrov et al., 2021).

To support its restricted range of operations, Afghanistan has depended significantly more on international subsidies and export taxes than on domestic taxes (Petrov et al., 2021). The authorities, like in previous rentier governments, were well equipped to distributing rather than collecting resources. Because there was little policy to enact, it was unnecessary for national government institutions to be highly successful. If called upon to enforce a more active government, the current institutions were sure to face opposition and collapse. The most far-reaching and ultimately disastrous endeavor to increase the Kabul government's penetration came during the early years of communist administration, which began in 1978 and finally resulted in civil war and turmoil (Wahab et al., 2007).

On July 17, 1973, Sardar Daud Khan, the King of Afghanistan's cousin and ex-prime minister organized a coup to depose King Zahir Shah. He established Afghanistan as a republic and appointed himself as its president. This was Afghanistan's first coup in modern history. There was no bloodshed in the coup. But his rule didn't last long; Sardar Daud Khan was assassinated in another coup by the leader of the communist party of Afghanistan, and a communist

administration led by Nur Mohammad Taraki assumed control. This marked the start of Afghanistan's regime transition and political, economic, and institutional problems (Wahab et al., 2007).

Since 1973 Afghanistan has seen six regime changes, with only the first peaceful regime change, the rest were bloodthirsty and destructive. Afghanistan has experienced immeasurable losses as a result of these unstable and short-lived regimes in terms of human casualties, infrastructural damage, and, most crucially, the loss of state-running, growth-creating institutions. Afghanistan witnessed economic, social, and political collapse as a result of this institutional loss (Wahab et al., 2007). According to reports, millions of Afghans could die in the winter of 2021-22 as a result of starvation and cold, the situation created by the recent regime change on 15th August ‘Countdown to catastrophe’: half of Afghans face hunger this winter – UN”, 2021.

On the part of regime type, international organizations propose countries adopt democracy so that they can achieve high economic growth and development. By the end of the Cold War, many Asian and African countries transitioned to democracy, but the expected economic and developmental results didn't come to fruition. It's because they failed to provide protection and liberty. On the other hand, some authoritarian regimes like China performed impressively (Torlo, 2017). This study intends to see whether or not regime type and the quality of institutions impact development in Afghanistan apart.

## **II. Statement of the Problem**

Coups, political conflicts and war have resulted in political uncertainty, insecurity, and a slump in the economy. They brought up humanitarian issues such as famine and extreme poverty.

Afghanistan has experienced a variety of regimes, including absolute monarchy, constitutional

monarchy, democracy, a centralized communist state, Mujahidin's rule, Taliban's rule, the Islamic Republic's 20-year reign, and once again and the most recent Taliban's rule. A succession of different regimes has had disastrous economic and developmental repercussions; in this research an effort has been made to examine how these regimes and institutions have impacted altered economic, political, and legal institutions. And how they have affected the economy and development.

This study tests a link between the regime type, and the quality of formal state institutions with development, aiming to explain the developmental problem of Afghanistan using the concepts of political regimes, and institutions through institutional economics. The focus of the research here would be to see what type of regimes produced/ left what type of institutions and how they are responsible for the economic, developmental and political failures of Afghanistan.

### **III. Research Problem**

Based on the narrative of the Statement of Problem as stated in the preceding text, I am narrowing my research problem into “**Political Regimes, Institutions and Development in Afghanistan**” and have operationalized the topic into the following research questions and objectives.

### **IV. Research Questions**

- Do different regimes (democracy or non-democracy) and the quality of institutions (economic, political and legal) have effects on development?
- What are the effects of different regime types and the quality of institutions on development?

The first research question is a closed-ended question with a simple yes or no answer as to whether political regimes and institutions have influenced Afghan progress or not. This is the study's quantitative component. The second research question is an open-ended inquiry that seeks to examine in depth how political regimes and institutions have affected development in Afghanistan. This is the study's qualitative component.

## **V. Objectives of the Research**

- To investigate whether political regime types and the quality institutions affected development in Afghanistan.
- To explore how different types of political regimes and the quality of institutions influenced development in Afghanistan.

The first research objective confirms the existence of a strong relationship between political regimes, institutions and development in Afghanistan, the second research objective tries to show the channels through which such a relationship is established between the above-mentioned variables.

## **VI. Conceptualizations**

### **Regime**

Before going into the many types of regimes, it's important to define them first. The definition of the regime used in this dissertation is that of Schmitter and Lyn. They have defined regimes as “an ensemble of patterns that determines the methods of access to the principal public offices; the characteristics of the actors admitted to or excluded from such access; the strategies that actors may use to gain access; and the rules that are followed in the making of publicly binding decisions” (Schmitter et al., 1991)

### **Regime Types**

Regimes are usually classified into two types: democratic and non-democratic. Democracy can refer to several types of democracy, including electoral democracy, liberal democracy, presidential democracy, parliamentary democracy, and mixed democracy. The attributes of these several democracies may considerably overlap. However, the word "non-democracy" can refer to governments that are vastly different from one another. Procedures for lawmaking, for example, differ significantly between a monarchy and a totalitarian state than between electoral democracy and liberal democracy (Torlo, 2017).

### **Democracies**

The history of democracy begins in the 8th century BC, when values such as equality among individuals, political freedom, and liberty were popular in the ancient Greek city-states, although most other cultures at the time maintained pyramidal power structures. After then, it became a

distrustful and feared system of administration until the early nineteenth century. Democracy was deemed to be the best form of governance once more. (Torlo, 2017).

From the minimalist perspective, (Schumpeter, 1942) democracy has been defined as “systems within which the executive offices are allotted through competitive elections” (Schumpeter, 1942, p. 35). presented their From a minimalist perspective democracy is defined as “a system in which parties lose elections” (Przeworski et al., 2000, p. 48). Another definition of democracy is that “democracy is a political system within which governments can be replaced without bloodshed” (Dahrendorf, 2003, p. 39).

The aforementioned definitions of democracy entail four things: people may vote, candidates can be chosen, power is peacefully transferred, and everyone must recognize the government's succession (Siaroff, 2013).

Many scholars, however, argue that minimalist definitions of democracy do not include the norms and values that democracies provide, such as responsibility, accountability, inclusivity, freedom of expression, and liberty. They have argued that elections have been overemphasized in democracy, ignoring key characteristics of democracies (Karl, 1990).

For Dahl, “democracy is when government officials are elected constitutionally, elections are free and fair, suffrage is universal, citizens can join politics, people have freedom of speech, freedom of information, freedom to form labor, political, and other associations, freedom from interruption for popularly elected officials, and the polity is sovereign” (Dahl, 2000).

## **Types of Democracies**

Scholars disagree on the number of types of democracies. A study was conducted to determine the classifications of democracy, which resulted in the identification of 50 subtypes of



democracies (Collier et al., 1997). Democracies are classified into two types in this thesis dissertation. The first typology categorizes democracy into two broad categories: electoral democracy and liberal democracy.

### **Electoral Democracy**

Electoral democracy is one in which a country is governed by a civilian government, political positions are filled through competitive and multiparty elections, elections are institutionalized, and universal suffrage is provided (Beetham, 1994).

### **Liberal democracy**

A liberal democracy entails all the characteristics of electoral democracy, it adds more that there should be extensive civil and political liberties, freedom of speech, assembly, and religion exists, rule of law is ensured, executive power is constrained, and the government is accountable to its citizens (Plattner, 1999).

This thesis dissertation has used the second typology developed by Cheibub (2007), which categorizes democracies based on their form of governance, namely presidential democracy, parliamentary democracy, and mixed democracy.

### **Parliamentary Democracy**

In parliamentary democracies, the government is dependent on the legislature, and when the conditions are met, the government can be removed from office by a legislative majority, either through a vote of no confidence, a constructive vote of no confidence, or by rejecting a vote of confidence initiated by the government. As a result, either a new government is established based

on the distribution of seats at the moment, or new elections are called in the hope that a new distribution of legislative seats would result in the formation of a new government (Cheibub, 2007).

### **Presidential Democracy**

Presidential democracy is made up of three branches: the executive, the legislative, and the judiciary. The legislature and the executive are independent of each other in this system of democracy; the president is elected for a fixed term and cannot be removed by the legislature even if acting in the interests of the legislative majority unless she faces impeachment for high crimes such as treason and bribery (Cheibub, 2007).

### **Mixed Democracy**

Mixed democracy combines elements of both democracy (elections) and autocracy (person or group rule).

### **Non-democratic regime types: Conceptualization**

Autocracy is the exact opposite of democracy; it is a type of regime in which a country is ruled by a single individual with absolute power.

The world has witnessed many forms of non-democratic regimes. The following typologies for non-democratic regimes are used in this thesis dissertation.

Non-democratic regimes are classified into the following regime types, according to one of the typologies: Military regimes, single-party regimes, multiparty regimes, personal regimes, and monarchies. (Geddes, 1999; Huntington, 1991; Magaloni et al., 2013).

**Military Regime:**

The armed forces of a country hold power in a military regime; that is, they have effective power and control over state policy. (Magaloni et al., 2013). However, the military does not have to be visible at the top of the political chain; they can operate behind the scenes, rule indirectly through civilian government, and enact policies of their choice (Brooker, 2013).

**Single Party Regime:**

"In single-party regimes, a single political party holds all political offices and formulates policy, however other political parties may exist and run in elections." Other political parties may be prohibited from existing in particular circumstances. In other circumstances, they may exist but are unable to compete with or challenge the dominant party" (Hadenius et al., 2007).

**Multiparty Regime:**

Elections may be constrained under a multiparty authoritarian regime, the playing field may be unequal, competition is limited, and multiple political parties may exist, but only one party is dominant (Wahman et al., 2013).

**Monarchy:**

Monarchy is a type of regime in which authority is concentrated and passed down through a certain line, i.e. it is hereditary. Among all democratic and non-democratic regime types, monarchies have been recognized as the dominant, most resistant, and longest-lasting regime type. The monarch, whether king or queen, wields absolute power. In contemporary monarchies,

a parliament may be formed, with members elected in multiparty elections; nonetheless, the prime minister is appointed by the monarch (Gelletly, 2014).

### **Conceptualization of Institutions**

Institutions, according to Hodgson (2006), are "systems of established and prevalent social rules that structure social interactions." And he has stated that the term institution has recently gained popularity in the social sciences, reflecting the growth of institutional economics as well as the concept of the institution in a range of other disciplines such as sociology, political science, philosophy, and geography. It has been in use since at least 1725 when Giambattista Vico published *Scienza Nuova* (Hodgson, 2006).

Institutions may generate socially expected behavior; this is where institutions' durability comes from, allowing for structured ideas, expectations, and action by imbuing human activities with shape and consistency. People's ideas and behaviors have an impact on them, but they are not reducible to them. Institutions have the potential to limit as well as enable behavior. The presence of rules implies the presence of constraints. However, such a constraint may create opportunities: it may allow for decisions and activities that would not be feasible otherwise. Language norms, for example, allow us to communicate; traffic restrictions help traffic flow more easily and safely, and the rule of law can improve personal safety. Regulation is not always an adversary of liberty; it may also be a friend at times (Aoki, 2001).

Because they rely on the behaviors of individuals while simultaneously limiting and modifying them, institutions have strong self-reinforcing and self-perpetuating characteristics. Institutions are supported not just by the simple coordination standards they supply. They survive because they constrain and shape individual desires, establishing the framework for their continuing

existence on human minds contaminated by their laws. This is not to imply that institutions exist in the absence of individuals; institutions emerge as a result of people, their connections, and certain common patterns of thought. Nonetheless, each individual enters a pre-existing institutional setting replete with laws and conventions (Favereau et al., 2002).

The institutions we face are dependent on the dispositions of other individuals, but they also rely on organized interactions between them, which frequently involve tangible objects or tools.

History, in whatever situation, offers the resources and constraints, both material and cognitive, within which we reason, behave, and build (Hodgson, 2006).

North, (1990) has divided institutions into two types; formal institutions and informal institutions. Kaufmann has cited Douglas North, Vivien Lowndes, Henry Farrell, Adrienne Héritier and Svetozar Pejovich who have counted the number of formal and informal institutions. Constitutions, contracts, and government forms are examples of formal institutions, whereas informal institutions include "traditions, norms, moral ideals, religious beliefs, and any other time-tested patterns of behavior" (Kaufmann et al., 2018, p.18)

## **Conceptualization of Development**

### **Traditional Economic Measures**

Todaro et al., (2012) have defined development in purely economic terms that "achieving sustained rates of growth of income per capita to enable a nation to expand its output at a rate faster than the growth rate of its population". While growth rate levels reflect a country's economic well-being, the number of goods and services produced in a year for the people of that country to consume and invest in is what matters.

Historically, economic development has been defined by the purposeful reorganization of production and employment such that agriculture's share of both decreases and that of the industrial and service industries increases. As a result, rapid industrialization has frequently been favored in development initiatives, often at the price of agriculture and rural development (Todaro et al., 2012).

Until the 1970s, development was always considered a purely economic phenomenon in which fast economic gains either "trickle-down" to the people, creating jobs and other economic possibilities, or create an atmosphere in which wealth is spread and the poor masses obtain some social benefits. A high and rapid economic growth rate was stressed and considered the most important and desirable achievement while poverty, inequality, and unemployment were ignored at its expense (Todaro et al., 2012).

### **The New Economic View of Development**

The experience of the 1950s and 1960s, when many developing economies exceeded their economic growth objectives but the standard of life of the masses remained largely unaltered, indicating that this restricted definition of development was flawed. An increasing number of economists and policymakers were calling for more direct measures on widespread absolute poverty, increasingly unequal income distributions, and growing unemployment. In summary, economic development was redefined in the 1970s as the decrease or eradication of poverty, inequality, and unemployment in the framework of a rising economy. "Redistribution from growth" became a common slogan. (Todaro et al., 2012).

To see whether a country is developing or underdeveloped, it will be judged on what has happened to poverty, what has happened to unemployment and what has happened to inequality.

If these three indicators are at a low level and have not been improved, then that country is underdeveloped even if it has achieved high and rapid economic growth (Seers, 1969).

So less poverty, less unemployment and less inequality are the new criteria of development.

Countries that had high and rapid economic growth rates in the 1960s and 1970s but performed poorly in lowering poverty, unemployment and inequality could not be deemed as developing countries by this new definition.

Underdevelopment is defined by the shocking: filth, illnesses, pointless deaths, and hopelessness, rather than quantitative data on poverty, unemployment, and inequality. Underdevelopment and persistent poverty can only be understood if an observer personally or vicariously experiences them. With cancer, starvation, and illiteracy, it's a personal and societal helplessness (Denis, 1971).

Thus development must be viewed as a multifaceted process including significant changes in social structures, public attitudes, and national institutions, as well as the acceleration of economic growth, the decrease of inequality, and the elimination of poverty. In essence, development must represent the entire range of change through which an entire social system, tuned to the diverse basic needs and evolving aspirations of individuals and social groups within that system, moves away from a situation or condition of life widely perceived as unsatisfactory and toward a situation or condition of life widely perceived as materially and spiritually better.

### **Amartya Sen's "Capability" Approach**

The concept that income and riches are not goals in themselves but means for other purposes goes back at least as far as Aristotle. Amartya Sen, the 1998 Nobel winner in economics, has argued that the "capability to function" is what truly determines a person's position as poor or

non-poor. As Sen put it, “Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy.” According to the capacity approach, economic growth is a means to an end, namely development, which improves people's lives and gives them more freedom (Sen, 2009).

Sen has claimed that measuring poverty by income and utility is ineffective. Furthermore, whether or not a person has a great number of commodities is unimportant; rather, what counts is who that person is and what he can be, what that person does and what he can do. This is his capability approach that is it's not about possessing material things rather it's the capability to possess anything. He has used the example of a book and stated that it's of little value to an uneducated individual. As a result, it is more about how goods are used than about their availability. It is about the capacity to make decisions regarding food, clothes, health, education, and the ability to function in a community with good self-esteem (Sen, 2009).

Sen then defined development as happiness, which means that a country is developing only if its citizens are happy, and they can be happy if their financial situation is good; they have food, clothing, and shelter, they are employed in a healthy environment, they have high self-esteem in the community they live in, they have good family relations and friends by their side, they are healthy, literate, free, and they hold values that are important to them. Despite the fact that wealth is positively and significantly associated with happiness, it is not the only element that may make individuals happy. What counts, after all, is what makes a person happy. As a result, development is happiness and contentment (Sen, 2009).

Todaro et al., (2012) have summarized development in three key values; the first of them is sustenance, which means that persons' basic needs of food, clothes, and shelter must be met in order to term it development. Even if a small percentage of a nation's inhabitants lack these



fundamental necessities, the country cannot be considered developed, despite its rapid economic growth and other strong economic indices. According to this viewpoint, high per capita income, increased employment, low poverty, and inequality are essential but not sufficient conditions for development.

The development's second key value is self-esteem. When you have high self-esteem, you feel respected and valuable in your surroundings. The authors have argued that economic and technical progress contributes to a country's self-esteem. According to this viewpoint, a country is not developed if its residents lack or do not have self-esteem, even if their fundamental necessities are satisfied.

The final key value of development in this perspective is freedom from servitude; that is, freedom from misery, inequality, diseases, oppression, insecurity, and lawlessness. If a country is economically prosperous, but its citizens lack any of the aforementioned freedoms, it is not a developed country according to this criterion (Todaro et al., 2012).

## **CHAPTER 2**

### **REVIEW OF THE LITERATURE**

#### **I. Institutions and Development**

The following works have been studied and quoted to understand the context of previous work on institutions, regimes, and their relationship with development, with a focus on economic development. These studies are connected to institutions, their primacy, regimes, their role in institution building, and development in general, and the last part presents a brief overview of Afghan regimes, institutions, and development during the last four decades.

#### **Defining Institutions**

North's work is a pioneer on institutions. He has defined institutions as “the humanly devised constraints that structure political, economic and social interaction”. Humans have established institutions throughout history to promote order and eliminate uncertainty in the market, he argued. With conventional economic limitations, institutions establish the set option, determine production and transaction costs, and therefore profit-making in the engagement of economic activities. He believed that institutions are ever-evolving, linking the past, present, and future. Institutions lead economies toward growth, decline, or stagnation by providing incentives to drive economies in any direction. Effective institutions promote collaboration while discouraging defection (North, 1991).

## **Defining and Making of Institutions**

To show how institutions are defined and made, Glaeser et al., (2004) conducted a study in which they argued that each community is faced with some institutional opportunities that are primarily defined by its population's human and social capital. The attractiveness of institutional opportunities depends on a community's human and social capital. Institutions are points on this set of opportunities that are defined by efficiency, history, and politics, in this paradigm.

## **Types of Institutions**

Institutions are of two types; formal and informal institutions. North (1991), argued that formal economic institutions; economic constraints and property rights are defined and enforced by formal political institutions. Barter trade system at the early stages of economies was enforced by kinship ties, however as the size of the trade grew, long-distance trade became difficult hence it was the formal institutions that paved the way for long-distance trade.

## **Formal and Informal Institutions**

Institutions play important role in creating a good business environment, be they formal institutions, informal institutions, or both together. Sometimes it may happen that when the formal institutions fail to deliver the desired outcomes, informal institutions are sought to play the role. In this regard, Chan and Du conducted research in 2022 in which they have pointed to the multinational corporations' involvement in China to demonstrate their point that when formal economic institutional deficits are high, informal institutions step in to fill the void. This, however, cannot be applied to political institutions, the authors have argued (Chan et al., 2022).

## **Market and Non-market Institutions**

Rodrik (2000) in his study has discussed the types of institutions, both market and non-market, that allow the market to function properly. He has stressed local knowledge and suggested that institutional building strategies should not overemphasize best practice blueprints at the cost of experimentation. He discovered that the most successful mechanisms for digesting and collecting local knowledge are participatory political systems.

He has argued that democracy is a meta-institution for the development of excellent institutions. He has argued that a growing body of data suggests that participatory democracies promote higher-quality development. The author has shown in the study that democratic regimes perform better on a variety of dimensions: they create less randomness and volatility, they are better at controlling shocks, and they provide more desirable distributional results.

## **Institutions and Development**

It has been evidenced that there is a strong relationship between institutions and development, numerous studies have been conducted in this regard and they have shown that institutions do matter in determining the direction and pace of economic and human development. In this dissertation, the following studies have been studied and cited to prove this claim.

It is started with Pande and his coauthors' study in 2005 regarding the relationship between institutions and economic development. They have found strong evidence for a correlation between a cluster of "good" institutions and rapid long-term growth in their research meaning that countries with higher quality institutions, better law enforcement, enhanced protection of private property rights, improved central government bureaucracy, smoother formal financial

markets, higher levels of democracy, and higher levels of trust had rapid growth rates in the long run (Pande et al., 2005).

Similarly, Acemoglu and his co-authors in their study tried to show the nature and significance of the relationship between institutions and development. In this empirical and theoretical study, they have used the examples of two Koreas, North and South Korea, and the colonization of most of the world by Europe, to show how there were significant disparities in economic and political institutions in both cases, which translated into distinct economic results. As a result of their study, which they referred to as "quasi-natural experiments," they discovered that economic institutions impacted economic outcomes by determining the incentives and limitations faced by economic players. As a result, they are social decisions that are made based on the consequences. These economic institutions are shaped by those groups and individuals who possess de facto political power. They have also found that political institutions and the allocation of resources determine the distribution of political power. De jure political power is distributed via political institutions, they argued (Acemoglu et al., 2004).

They have further argued that economic institutions influence resource allocation, and groups having de facto political power now aim to reform political institutions to gain the future de jure political power. When political institutions delegate power to parties with vested interests in wide enforcement of property rights, economic institutions that favor growth, emerge. They discovered that economic institutions support growth when there are effective constraints on the groups who hold power and when rent-seeking is relatively little. (Acemoglu et al., 2005b).

Moreover, after 1500, the expansion of New World, African, and Asian trade empowered new parts of the commercial bourgeoisie, allowing these groups to seek, achieve, and maintain reforms in institutions to safeguard their property rights. Atlantic trade and colonization had an

immediate and indirect impact on Europe, causing institutional changes. Acemoglu and his co-authors believe that the rise of Europe was primarily the product of capitalist growth, which was fueled by the combination between late medieval institutions and the economic opportunities provided by "Atlantic trade." The most substantial institutional reforms happened in countries wherein existing institutions imposed some limits on the monarchy, most notably its control over international trade (Acemoglu, et al., 2005).

To show the type of relationship between institutions and economic growth i.e. economic development, Acemoglu and his coauthors of this study believe that institutions that protect property rights have a first-order impact on economic growth in the long run, investment, and financial development. Contracting institutions, according to them, are essentially important in terms of the sort of financial intermediation (Acemoglu, et al., 2005).

A similar attempt had been made by Jütting in 2003. He has conducted a comprehensive evaluation of the literature on the role of institutions in development, emphasizing that institutions do not exist in isolation but are embedded in a historically and culturally affected social context. As a result, the exogenous institutions, which the author refers to as "informal rules, norms, customs, and traditions", must be considered while analyzing institutions and policymaking. For institutional changes, the author has argued that whereas endogenous institutions, such as formal rules and organization, can change quickly, exogenous institutions may remain for a long time and become hard to modify. As a result, he has emphasized the need for coherence with existing exogenous and endogenous institutions (Jütting, 2003).

Casson et al., (2010) have argued that there is an interrelationship between the quality of institutions, both formal and informal, and their development process. They have illustrated in

their paper that informal institutions in different contexts influence the nature and quality of formal institutions and they collectively influence development.

### **Civil Liberties, Property Rights and Economic Growth**

Another study conducted by Aron in 2000, in which he has tried to review the literature on institutions and economic development, found that institutions such as civil liberties and those that protect property rights are related to economic growth across nations and time. He found data that implies a correlation between institutional quality and investment and growth rate, however, the evidence is far from conclusive, he has argued (Aron, 2000).

### **Human Capital and Institutional Capacity**

Since social choices are shaped by history, institutions remain persistent for a long. However, as society becomes more prosperous, institutional results improve as a result of more institutional options. Contrary to Rodrik's study of 2004, here it is found that institutions only have a second-order impact on economic performance. Human and social capital influence both the institutional and productive capacity of a society, which results in a first-order effect (Glaeser et al., 2004).

### **Institutions, Geography, Trade and Global Income Levels.**

A 2004 study by Rodrik and his coauthors have made an attempt to show which of the following variables have a significant impact on global income level; institutions, geography, and trade. Their findings show that the quality of institutions "trumps" all other factors. When institutions are taken into account, traditional measures of geography have only a little direct influence on incomes, but they have a significant indirect effect via changing the quality of institutions.

Similarly, if institutions are taken into account, trade becomes practically insignificant (Rodrik et al., (2004).

### **Geography, Institutions and Development**

It has been argued by Acemoglu and his co-authors in their study that countries that were rich 1500 years ago are now impoverished; this occurred throughout the past 500 years, when European powers colonized many parts of Asia, Africa, and the Americas. This income reversal invalidates the geography hypothesis, which holds that countries that were rich should be rich now, while those that were poor should remain poor. The hypothesis explains global income disparity by associating economic growth with geographic differences. Income reversal, on the other hand, is reflected in the institutional change that occurred during the colonization of those countries by European powers during the last 500 years. The institutional reversal was caused by a profitability differential and different strategies of colonization (Acemoglu et al., 2002).

They have argued that colonizers either developed or maintained the existing extractive institutions in affluent and populous countries. While settling in vast numbers in less populated and impoverished places, they constructed inclusive institutions that protected private property and promoted trade and industry. This was the time when the seeds of institutions were sown, and institutional reverse occurred, resulting in income reversal. The authors also contended that the scale of the reversal and the subsequent income inequality may have been caused by the advent of industrialization in the 19th century. A society with private property systems profited from industrialization because it required a huge labor force, entrepreneurs, capital and their protection, without which industrialization could not benefit the societies (Acemoglu et al., 2002).



## **Institutions, Infrastructure and Development**

Whether there is a relationship between institutions, infrastructure and development, a study has been conducted in which it has been noted an association between institutions, infrastructure, and development. It has been suggested that the capabilities of institutions that give credibility and efficacy to government policies play a crucial role in the development process through infrastructure growth. It has been argued that development can happen if infrastructure investment and performance are enhanced, as well as institutional and organizational reforms are implemented (Esfahani & Ramírez, 2003).

## **Social Institutions**

Trust in institutions is an issue in third-world countries. A study has found that in some societies people do not trust institutions and hold conspiracy theories about them. The social institutions regulate the social relations of people to make them safe and respectful of norms and values, but distrust can undermine it, leading to the decline of relations among all the actors and erosion of social fabric (Van et al., 2022).

## **Institutions and Culture in Economic Contexts**

In another study, the author posited that the existence of a cultural and institutional synergy is critical for better understanding human behavior, individual decisions, and social patterns, both economic and noneconomic (Andriani et al., 2022).

## **Economic Freedom and Foreign Direct Investment**

Market-friendly environments are crucial not only for internal entrepreneurial activities but also for foreign investments. Economic freedom which is one of the important state institutions also matters in wealth creation and ultimately development. Caetano et al., (2009) have analyzed the relationship between economic freedom and inward foreign direct investment and have found that they are positively related to each other, implying that for a country to achieve economic development and foreign direct investment, countries should have transparency in institutions and policies and increase economic freedom.

Chow, (2004) has authored an article about Chinese economic reform "changes in economic institutions toward those of a market economy" and growth. Despite the fact that market institutions are deficient, the Chinese economy has risen rapidly and steadily. He has considered the three percent yearly growth rate since 1978 as a result of changes. He has used China as an example, arguing that replacing a centrally planned economy with market institutions is a necessary but not sufficient prerequisite for economic success. The author has attributed the high level of human capital to China's cultural traditions of hard work and entrepreneurship, as well as a great value for education.

## **II. Regimes and Development**

### **Regimes, Institutions and Development**

Regimes and their types play an important role in shaping an economy and bringing about development. Numerous studies have been conducted in this regard to show their impact on economies and development. With a few exceptions, the majority of studies supported the hypothesis that regimes and their types play a significant role in development.

### **Regime Types and Development**

To show whether or not autocratic regimes are good for economies and development and how some autocracies managed to achieve high growth rates and development, Gilson et al., (2011) analyzed the economic success of Chile, South Korea and China when they were under the autocratic rule of Augusto Pinochet, Park Chung-Hee and Deng Xiaoping respectively. Their thesis is that the authoritarian regimes in these countries managed a critical juncture in the country's development by transitioning from small level, relational exchange to exchange where performance is backed by state action, whether based on the possibility for official third party enforcement or the threat of unofficial government sanctions. In comparison to a weak democracy, a growth-friendly dictator may have a benefit in resolving political and economic barriers to credibly pledging that rent-seeking will not deter private investment.

The authors have found that each monarch found a way to dedicate his regime to growth in a credible manner. Their research demonstrates that there are a number of alternatives to the World Bank, IMF, and other organizations' proposed "impartial judiciary", as the key to the transition from relational to market exchange. They explore a now-familiar dilemma concerning modern China: does economic growth inevitably lead to political liberalization? The prevailing view

holds that yes, citing Chile and South Korea as examples. They demonstrate that conventional knowledge misses significant aspects of Chilean and Korean historical experiences that have a direct bearing on China. The same incentive mechanisms that have fueled Chinese economic progress are likely to hinder political liberalism (Gilson et al., 2011).

### **Democracy and Development**

Similarly, Torlo, (2017) in his thesis has argued that the West's liberal democratic countries use a number of tactics to persuade authoritarian regimes to adopt liberal democracy, saying that political freedoms are the most effective means of ensuring domestic peace and prosperity. However, several nascent democracies have failed economically in recent years, whereas authoritarian regimes have witnessed persistent and spectacular economic growth and development rates. He has argued that is a refuted idea that economic performance is a function of the type of regime and that democracies outperform autocracies. It's not the regime type per se, but the executive constraints, rule of law, stability, and economic freedom determine a country's economic progress.

Contrary to Torlo's thesis, it has been observed that regime type may have an impact on economic performance variation. The personality and political ambitions of the autocrat are important in autocracies. Political power and influence are more widely distributed throughout democracies. As a result, it appears legitimate to argue that certain autocrats foster growth while others just pillage their countries. Variations in economic growth rates should consequently be fairly considerable among autocracies. In contrast, the democratic process makes blatant kleptocracy improbable, but it also makes it difficult to overturn organized interest groups and

their narrow-mindedness or to overcome politicians' ingrained short-sightedness as a result of the electoral cycle (Weede, 1996).

Similarly, Okunlola, (2019) investigated the short-run and long-run effects of political regimes on economic development in Nigeria. He examined the consequences of conflict and corruption on economic development indicators, as well as the interaction between political regimes, corruption, and conflict on economic development. Corruption and violence appear to be more frequent in Nigeria during democratic eras than during dictatorial periods. He came to a number of solid results in his investigation. In the long term, democracy produces more economic progress when it is free of conflict and corruption, whereas authoritarianism hampers economic development. However, in the short run stronger autocracy promotes economic progress in Nigeria, whereas democracy hampers it.

Western countries stress economic and political liberalization in developing countries to achieve development. To know which one of these two liberalizations be prioritized and know their consequences, Giavazzi et al., (2005) have conducted research, and they have tried to investigate the consequences and interconnections of these two liberalizations empirically. Economic liberalizations were defined by the authors as “policies that broaden the market's scope”. Political liberalizations connect to the occurrence of democracy. They investigated the implications for economic performance, macroeconomic policy, and structural policies. Their key contribution is an examination of the combined consequences of both liberalizations, as well as the discovery that the order of changes is important. They observed that nations that liberalize their economies first and subsequently become democracies outperform countries that do the reverse in practically every category.

## **Institutions, Government and Development**

Hall et al., (1999) sought to answer why certain countries create more production per worker than others. They contend in their analysis that physical capital and educational attainment only partially explain the difference in production per worker. They discovered that disparities in accumulation, productivity, and hence production per worker are driven by inequalities in institutions and government policies, which they refer to as social infrastructure. Furthermore, they have viewed social infrastructure as endogenous, shaped historically by geography and other elements captured in part by language.

## **Regime Type and Tax Ratios**

It is a hot-debated topic among economists and political scientists that which regime type is best suited for economic development, what are the tax policies of each regime and whether it serves its people or not. Most of them are in favor of a democratic regime; arguing that democratic regimes bring development both in the short run and long run while non-democratic regimes may achieve rapid economic growth rates temporarily in the short run, their long-run success is not guaranteed. In this regard and with the regard to regime type and tax ratios, it is evidenced that there is a U-shaped relationship between regime type and tax ratio, indicating that a full autocracy and full democracy outperform 'hybrid' or 'anocratic' regimes in tax collecting. Stable expectations unquestionably have a significant role to determine the tax ratio (Garcia et al., 2016).

In their investigation, the authors have discovered that incoming leaders may struggle to gather the domestic resources required to deliver basic public services and stabilize the new government. On the other hand, higher degrees of democracy is definitely connected with larger

tax ratios, implying that they are probably associated with bigger amounts of public goods and services (Garcia et al., 2016).

### **Regime Type and Transparency**

Attempts have been made to discover an answer to the question of which of the regime types is the most transparent. Rosendorff and Vreeland in 2006 investigated theoretically policymakers' willingness to provide credible declarations of intended inflation and unemployment rates and found that the existence of that data is strongly linked with regime type, though after controlling for development level, IMF programs participation, and country-specific effects. Hence they discovered that democracies are truly more transparent (Rosendorff et al., 2006).

### **Democracy vs Dictatorship**

Similar work has been done in regard to whether it is a populous democracy or populous non-democracies; main dictatorships, that succeed in encouraging and achieving economic successes and what are the underlying causes for these outcomes. In this regard, Antić, (2004) discovered something he terms a "surprising finding" in his investigation: populous dictatorships were more successful in encouraging economic development than populous democracies during the previous fifty years. During this time period, the dictatorship had a considerable beneficial impact on economic growth in populous nations, but democracy had no significant positive effect on economic growth in states that were small in size. As a result, he has concluded that countries must not be expecting economic miracles as a result of adopting democracy. He has offered the former Soviet Union as an example to support his claim. In other words, democracy can be regarded as a virtue in and of itself, rather than as a prerequisite for economic success.

Popular nations might even anticipate a short-term economic deterioration following democracy. He recommends in his analysis that dictatorships with great developmental outcomes should postpone democratization as long as the dictatorship creates economic miracles. For example, between the 1990s and 2000s, three of the world's fastest-expanding economies were dictatorships: China, Singapore, and Vietnam. It is probably not advisable for these countries to modify their political systems as long as they provide such outstanding economic results. These countries, however, are exceptions. Economic outcomes over the previous 180 years indicate that democracy is a superior alternative for long-term economic progress (Antić, 2004).

Based on his analysis, he has recommended that governments increase investment and integration for regional economies while reducing population growth. Economies should be open in small countries, and all countries should avoid fighting on their own soil (Antić, 2004).

Arat, (1988) in his research has analyzed the theory of modernization, which views democratization as an evolutionary phenomenon, he has found two important findings. First, in his longitudinal analysis, he found a wide range of connections between levels of socio-economic development and democratization. It is apparent that democracy is not a one-way ladder that countries climb as their economies and social institutions evolve.

Second, there have been significant adjustments in the extent of democracy in a number of nations. They are more prevalent in nations towards the center of the development spectrum. During the 1948-1977 era, these nations suffered significant levels of democratic instability. As a result, their cross-sectional analysis shows a positive relationship between economic development and democracy, while the longitudinal analysis does not (Arat, 1988).



## **Democracy and Human Development**

Another study has been conducted to show democracy's link with human development. The relationship between democracy and human development has been examined and drawn a conclusion that contradicts recent work; that is, the relationship between a country's present regime type and its eventual human development, as measured by the mortality of infants.

Nevertheless, if democracy is regarded as a long-term and historical reality, the link between the aforementioned factors is strong and robust (Gerring et al., 2012).

It is a common presumption that democracies are important for economies to grow, without democratic regimes, growth is impossible. Whether or not this is a valid argument, Baum and Lake have examined the relationship between democracy and economic growth/ development in a 2003 study. They have found democracy's impact on economic growth is subtle, indirect, and dependent on development levels. They have argued that early research that simply introduced a democracy variable to the neoclassical growth model failed to discover consistent and substantial links (Baum & Lake, 2003).

They have also argued that the type of regime matters not just in terms of whether or not it protects property rights and redistributes wealth, but also in terms of the provision of public services such as healthcare and education, which directly impact the levels of human capital. The type of political regime influences how and to what extent these services are given. They discovered that more democratic governments often deliver higher levels of the aforementioned services than less democratic governments. They found significant, indirect, and positive impacts of democracy on growth through life expectancy in comparatively poor countries and secondary enrollment ratios in the countries that are not poor (Baum & Lake, 2003).

### **Democracy and Economic Freedom**

Are these the political freedoms that ensure economic freedom or it is the economic freedom that brings political freedom in developing countries? It is often discussed among scholars that which of the two is a valid claim. To ascertain this, a study has been conducted in which the researchers have investigated the relationship between economic freedom and political freedom, with an emphasis on developing countries. They have discovered and concluded that between 1975 and 1990, there was more economic freedom, and it was driven by the high degree of political freedom (Haan et al., (2003).

### **Democracy Energy Use and Growth**

What is the relationship between democracy and the nexus of energy and growth? It is attempted to find an answer to this question. In this regard, Adams et al., (2016) examined the role of democracy in the energy-growth nexus in their research and they found that energy consumption and democracy are both positively and significantly associated with economic growth, lending credence to the notion that democracy moderates the energy consumption-growth nexus.

### **Authoritarian Institutions**

Political institutions are crucial in both democracies and autocracies. In their study, Gandhi et al., (2007) have examined all autocracies between 1946 and 1996 and attempted to address the issue of why certain autocrats survive for a long time while others do not. They have argued that autocrats rely on political institutions to win the cooperation of outsiders or to discourage rebellion. Partisan legislatures include prospective opponents, giving them an interest in the

autocrat's survival. The autocrat's reliance on political institutions broadens his or her support base and lengthens his or her rule.

### **Industrialization, Regime Type and Development**

If the relation of industrialization, development and regime type is discussed then it's discovered that industrialization leads to economic growth, and economic growth is a key indicator of development (Cherniwchan, 2012; Moreno-Brid et al., 2005). However, for industrialization and ultimately development to happen, strong political support and developmental state institutions are the prerequisites (Mukherjee et al., 2007).

### **State Antiquity and Development**

For the part of the regime's antiquity, a study has been conducted and has discovered that state antiquity is significantly linked to indices of political stability and institutional quality, as well as per capita income and the rate of economic growth. State antiquity has a significant impact on understanding growth rate discrepancies, accounting for about half of the variance between countries like China and Mauritania (Bockstette et al., 2002).

### **Government Size, Corruption, Property Rights and Entrepreneurship**

It is important for a country to have a market-friendly environment in order to high economic and ultimately developmental success. State institutions and governments undoubtedly have a highly significant role to play in this regard. To validate this argument, Audretsch et al., (2022) undertook research to examine the impact of corruption, entrepreneurial networks, property rights, and the size of government on latent and emergent entrepreneurship. Their findings

suggest that a combination of changes in the institutional environment can affect both latent and emergent entrepreneurship differently, providing crucial clarity regarding the stage of entrepreneurship to existing studies on kinds of emergent entrepreneurship. The size of the government, corruption and entrepreneurial networks have a little direct impact on emerging entrepreneurship, but protecting property rights does. Property rights and government size, on the other hand, have no direct effect on the pool of latent entrepreneurs, although corruption and entrepreneurial network do.

Similarly, Gehlbach et al., (2011) have analyzed and presented evidence that the institutionalization of a ruling party in an autocracy might attract significant investment by a certain group while avoiding the establishment of democratic institutions that would jeopardize autocratic authority. Nonetheless, he has argued that the conditions for autocratic leaders to agree to the institutionalization of a big ruling party may not be met.

### **Economic Reform and Growth in China**

If the success story of China is discussed despite its non-democratic government, Chow has concluded from China's reform experience that market institutions and a high level of human capital are sufficient to accomplish rapid economic development. He has come to the general conclusion, citing Hong Kong, Singapore, Taiwan, and China, that it does not matter if a regime is democratic, autocratic, or communist for rapid economic development as long as it has solid market institutions and a high level of human capital (Chow, 2004)

He then has argued that economic reforms can be implemented if political feasibility exists. Political feasibility influences both the overall path of economic reform and the specific actions to be taken in specific regions and at specific periods. He has highlighted Mao of China, saying

that while he was in power, reforms could not be implemented due to a lack of political feasibility. He then stated that in a centrally planned economy, it is difficult to abolish bureaucratic economic institutions (Chow, 2004).

He has drawn another conclusion from China's successful privatization of agriculture. He has claimed that it is difficult to change any institution that is dominated by politically influential bureaucrats who are accustomed to old methods of doing things and the entitlement to certain economic advantages. It was the other way around in China (Chow, 2004).

### **Institutions, Regimes and Development**

Economies are established on the foundations of institutions, economies can achieve their potential success only if there are strong, efficient and effective institutions. Though institutions are man-made, however, they have historical roots, and their very first foundation determines the health of the economies both in the short-run and in the long run. The French Revolutionary and Napoleonic armies' invasion of Europe in general and Germany, in particular, have been used as a natural experiment to investigate the impacts of institutions of the *ancien régime* on development. It has been found that in the areas which the French conquered, ambitious institutional changes were enacted, removing many of the foundations of the *ancien régime* and feudal economic legacy of institutions. It has been demonstrated that areas, where these changes were sustained, had significantly higher economic success than those which were not reformed by the French (Acemoglu et al., 2008).

Using historical examples from the United States and Liberia, Acemoglu and Robinson developed a model that demonstrated simultaneous change and persistence in institutions. Their model is made up of landowning elites and labor, and the primary economic choice involves the

structure of economic institutions that regulate labor transactions. Their central thesis is that equilibrium economic institutions are the consequence of de jure and de facto political power (Acemoglu et al., 2008).

When political institutions change, such as when a country moves from autocracy to democracy, the distribution of de jure political power changes, reducing the dominance of the elites. To compensate for the loss of de jure political power, the elites would strive to achieve greater de facto political power by leveraging lobbies or engaging paramilitary forces or other means. As a result, even after institutional changes, power stays balanced; democracy may be achieved, but the elites' influence in economic institutions remains unaltered (Acemoglu et al., 2008).

### **Peace and Conflict**

Western countries and organizations stress third world countries to go for democratization in order to stabilize and achieve high development goals, however, Paris, (2004), advocating for institutionalization before liberalization, has argued that efforts of stabilization and institutionalization should be prioritized over building democracy in a post-conflict country.

### **III. Overview of Afghanistan's Regimes and Institutions**

#### **Legal Institutions**

For understanding the history of Afghanistan's institutions, (Barfield, 2008) in his article cited (Roy, 1986) emphasizes that the recent history of institutions, especially Afghan state institutions withered during the war against Soviet forces from 1970 to 1989, and suffered much greater harm during the civil war from 1989 to 2001. Formal government institutions collapsed in most parts of the country, leaving a vacuum for the informal institutions of local communities to fill, altering the political structure.

Rubin, (2002) considers the crisis of human security in Afghanistan as the consequence of the destruction of institutions of legitimate governance whose job is to design policies, using information, to build the human capital of their citizens and maintain their welfare.

Afghanistan remained insecure due to the loss of such institutions. Resultantly, raising the army by a warlord was easy because institutional loss made Afghanistan an impoverished ungoverned society.

#### **The Future of Anarchy**

Rubin, (2002) has claimed that the crisis of institutions was more intensified from the mid-1980s to the 1990s because of monetary policies there was less transparency and accountability. With the absence of government institutions, the newly printed currency would be transferred to the militia leaders to buy their loyalty, bypassing taxation or nurturing productive economic activity. Along with that several foreign currencies would circulate in the markets resulting in hyperinflation and the stealth of wealth. Because of the loss of state institutions an anarchic atmosphere was created after the withdrawal of Soviet forces from Afghanistan, in the absence

of institutions the people of Afghanistan were not able to build their country and bring peace to it.

After years of Soviet occupation and civil war, the Bonn Agreement provided a framework to build Afghan institutions for the reconstruction of Afghanistan. (Rubin, 2002) has argued that only accountable and legitimate national institutions of international standards could protect human security. And he has further argued that donors, agencies and nongovernmental organizations lost sight of it. The flow of excessive money and the high presence of the international community, NGOs, which were to help build and reinforce the Afghan institutions, undermined them. In Herat municipality, for example, ten qualified engineers worked, but they joined UN agencies for much higher salaries. The municipality was left with no engineers.

### **Afghanistan's Regimes**

With the crucial importance of a strong and legitimate regime in the long run, state-building and state legitimacy in Afghanistan has been a difficult task, and it has gotten much more difficult since 1978 (Saikal & Maley, 2019). According to the writers, postwar reconstruction, i.e. development, can take place only if Afghanistan has a legitimate regime. A legitimate and robust regime is required to promote stability, harmony, and mediation among micro-societies.

They have claimed that the state may play a positive role provided the regime, or rulers, are devoted to consensus-building, have mediation abilities, and do not identify primarily with a small and sectional support base.

In a politically pluralistic Afghan society, Saikal and Maley recommend holding general elections to obtain a non-autocratic and stable regime. They further suggest a consociational model with four main elements. The first element is that the government is formed by a broad



coalition of political leaders and representatives from all key segments of society. Second, there should be a mutual veto, which they claim would preserve the minority's interests. Third, the principle of proportionality should be applied to political representation, civil service appointments, and the allocation of public resources. Fourth, each section should have some degree of autonomy in managing its own affairs (Saikal & Maley, 2019).

### **Formal and Informal Institutions in Afghanistan**

It is important to have a good understanding of a society before making efforts of nation-building. Afghan society has very long been outside the operation of the formal state institutions. It is not just due to the war, but it is also because this has been customary in Afghanistan. People don't opt for formal justice or other formal institutions because of informal justice systems hence informal institutions are strong and dominant over formal government institutions. This, he has said, has had very bad consequences for state-building undermining the rule of law (Barfield, 2008).

As it has been stressed by both economists and political scientists that institutions be they economic, political, social, or legal matter significantly in development. For the reforms in the legal institutions of Afghanistan, a study has been conducted in which the author has argued that legal institutions were fractured and did not fulfill their primary objective of delivering justice fairly and quickly. He has argued that legal institutions failed because rulers primarily exploited their judicial systems as a tool of state control. He then recommended inter-institutional coordination between the formal justice system, the informal justice system (Jirga), educational institutions, and humanitarian organizations in order for legal institutions to be accessible, simple, fair, cost-effective, and efficient to ordinary people. Furthermore, he has suggested that it

will hold wrongdoers accountable and prevent future violations and abuses of human rights. Additionally, inter-institutional cooperation would pave the ground for the establishment of an effective channel of communication between the state and its citizens (Wardak, 2004).

### **Democracy and Afghanistan**

In a society that is affected by war such as Afghanistan and where mistrust is acute, democracy promotion by foreigners is inherently limited. It must be promoted within the country and not by outsiders. Though donor countries and agencies have considerable influence to enforce democracy, however, such foreign-led efforts are undermined in the long run because the locals see them as un-Islamic and un-Afghan (Nixon, 2007).

The author has argued that the work of stabilization and comprehensive state-building should have been prioritized over political development and democratization and should have considered increasing domestic leadership, financing, sustainability and the issues of legitimacy (Nixon2007).

For state-building and promoting democracy, it does not work to bring changes at the macro-level of a regime, for example supporting democratic elections, rather ways should be sought to give legitimacy to the regime from micro, formal and informal sources. In the case of Afghanistan, it is to address and deliver the most urgent services to Afghans and to adopt the appropriate and functional type of representation and mode of interaction between the citizens and the state (Nixon2007).

According to (Mullen, 2008), Afghanistan has made tremendous progress in a number of sectors, but governmental institutions' failure has harmed basic service delivery. In addition, weak government institutions have exacerbated the security situation and hampered the state-building

process. She said that international financiers pushed and concentrated on the establishment of institutions, but that these institutions were unable to operate effectively due to a lack of human, financial, and physical resources. She had warned that state-building and democratic initiatives would fail unless donors and the Afghan state worked together to develop high-quality institutions.

### **Afghanistan's Current Regime**

On September 7, 2021, the Taliban spokesperson announced the names of 33 individuals who were described as acting ministers who would fill a caretaker government to run the country. The Taliban refer to this government, as they have for decades, as the Islamic Emirate of Afghanistan. The Taliban reportedly intends to "implement" the 1964 constitution of the former Afghan monarchy "without any content that contradicts Islamic law and the principles of the Islamic Emirate," leaving unanswered larger questions about how the group intends to deal with the 2004 constitution, Afghanistan's parliament, and other elements of the post-2001 political system. The Rahbari Shura, or leadership council, has led the group for decades. As emir of the Taliban, Haibatullah Akhundzada wields absolute power. The Acting Prime Minister is Mohammad Hassan Akhund (Thomas, 2021).

With the exception of institutions, the Taliban disbanded, such as the Ministry of Women's Affairs, the Afghanistan Independent Human Rights Commissions, and offices tasked with managing parliamentary affairs in light of the dissolution of the Afghan parliament, the group primarily operates through the remnants of the structures and state institutions it inherited. The current de facto regime is intended to be an interim government. However, there is no timetable

or clarity on a possible move to a more permanent setup (Chatham House, 15 AUGUST 2022., para. 2).

### **Lessons from State-building Efforts in Afghanistan**

Mullen, (2008) has attributed Afghanistan's high insecurity, significant drug economy, high corruption, capability limitations of government agencies, their legitimacy, and low level of socioeconomic development to the country's weak political institutions. She has recommended that building functioning and legitimate state institutions should be prioritized and emphasized for state-building in Afghanistan after the conflict to ensure security and provide education and health. However, she has linked building quality institutions with capacity building. Without leveling up the human capital, financial and physical resources the efforts of building institutions and ultimately state-building will not come to fruition. The author has claimed that the push of establishing democracy in the Bonn Agreement has compromised the development of legitimate long-term democratic institutions.

Decades of conflict have created several obstacles to Afghanistan's political reconstruction, one of which is the establishment of institutions. It has been urged that institutions at the national, regional, and local levels be formed, as well as an institutional interface between these institutions and the world community. This would establish a working relationship between them, allowing them to function effectively and offer services. However, for this institutional success in Afghanistan, a healthy political and societal environment is necessary, as well as the development of the infrastructure of organizational power-sharing at all levels. However, this long-term aim of integration should not come at the expense of short-term demands. In the long

term, the institutions that are developed and maintained internally and by the international community will become ingrained in a political culture (Thier et al., 2002).

The authors have further argued that when societies impacted by war re-emerge and rebuild their physical and political infrastructure after the combat ends, it works in a protracted process of talks, ceasefires, and compromises. It is natural and necessary to develop a political-institutional basis that is not threatened by disputes, brings and maintains stability, and is inclusive, but this is a difficult task (Thier et al., 2002).

The conflict and competition among factions for power fractured and damaged the political national, regional, local, and international institutions capable of resolving political problems amicably (Thier et al., 2002).

Regional autonomy was challenged by the formation of national institutions. To maintain peace between the center and the regions, the authors propose a balance of centralization and regional power. They believe that strong institutions can achieve this (Thier et al., 2002).

Village Jirga's (councils), informal non-democratic yet representative organizations, have been at the heart of Afghan society and the state; it's a crucial resource of political decision-making for settling disputes and conflict resolution. Throughout Afghanistan's history, Loya Jirgas (great councils) have been convened to support a new king or to handle a national crisis. The authors suggest that constructing new formal institutions should not be in confrontation with existing de facto political, social, and legal informal institutions, but rather that there should be harmony between the two and neither should be challenged by the other (Thier et al., 2002).

Strong institutions help to resolve conflicts, prevent violence, and foster a lively atmosphere for political power struggles. Afghanistan's long conflict fostered the use of violence to settle

disagreements. Afghanistan's political, security, and development policies must all work together to establish stability (Thier et al., 2002).

## **Final Conclusion from the Literature Review**

### **Institutions**

Institutions, which are a collection of opportunities characterized by efficiency, history, and politics, and which depend on a country's human capital, play a crucial role in the country's development. Though formal institutions are critical for development, informal institutions such as informal rules, norms, customs, and traditions should be considered in policymaking, particularly in developing countries.

### **Regime**

Political regimes matter significantly for development, however, it's a paradox that democratic regimes outperform in development in every country. Though it is observed in many countries including Afghanistan that democratic regimes have failed, been corrupted and caused miseries to people rather than creating prosperity, however a liberal democratic regime that is accountable, responsible, transparent and inclusive is good for the long-run development of a country. Democratization is evolutionary and positively related to economic development. Hence, it's not only the political regime per se that matters, but it's more about rule of law, stability, good policies and the ability to implement those policies that matter. This is especially true for the third-world countries, with Afghanistan, not an exception.

## CHAPTER 3

### THEORITICAL FRAMEWORK

This study is based on the work of (Acemoglu et al. (2004), who made the empirical and theoretical argument that disparities in economic institutions are the root cause of inequalities in economic development. The authors first demonstrated the empirical relevance of institutions by focusing on two "quasi-natural experiments" in history: the separation of Korea into two regions with very different economic systems and the European powers' colonization of most of the world beginning in the fifteenth century. They then sketched out the fundamental framework for considering why economic institutions varied between countries. Economic institutions impact economic outcomes by determining the incentives and restrictions of economic players. As such, they are social decisions that are made for the sake of the consequences. Because various groups and people profit from different economic structures, there is usually a struggle over these social choices, which is eventually settled in favor of organizations with more political power.

Political institutions and resource distribution influence the allocation of political power in society. Political systems distribute de jure political power, although organizations with stronger economic power often have greater de facto political influence. As a result, we consider the proper theoretical framework to be dynamic, with political institutions and resource distribution as state variables. These factors fluctuate over time because existing economic institutions impact resource distribution and because groups with de facto political power today attempt to reform political institutions in order to strengthen their de jure political power in the future.

Economic institutions that promote growth occur when political institutions delegate power to parties interested in broad-based property rights enforcement, when they impose effective limits

on power holders, and when there are relatively few rents to be taken by power holders (Acemoglu et al., 2004).

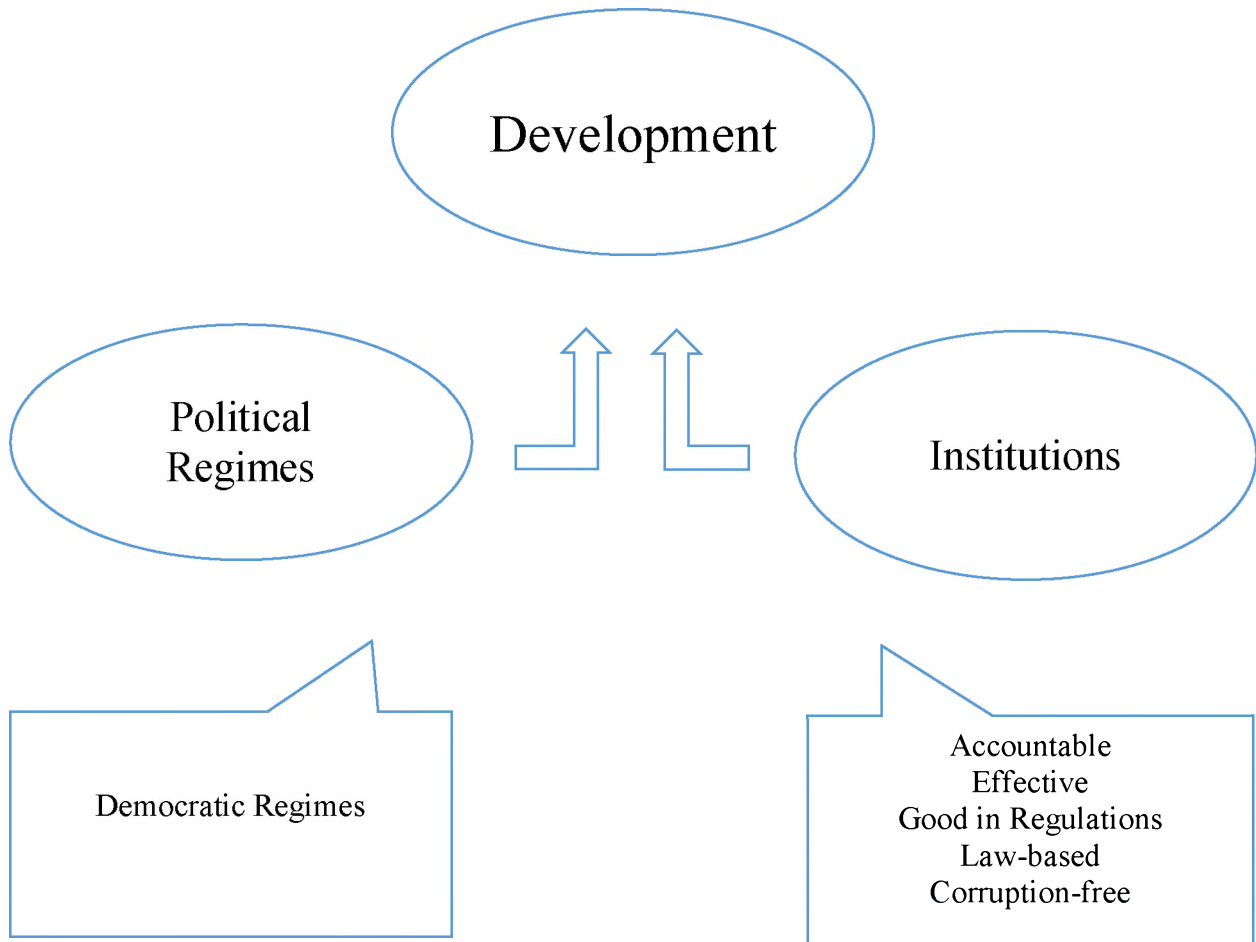
Applying this theoretical framework to this study with its datasets from Worldwide Governance Indicators as the indicators of formal institutions, economic institutions from 1990 to 2020 that kept accountability, had a good effect on facilitating an economic-friendly environment, regulated the markets well so that markets do not exploit the masses, worked under the rule of law and no one and no entity is considered above the law; the law is supreme and there is no corruption in them, should have a positive and significant effect on the development of Afghanistan because, as the theory theorizes, inclusive economic institutions create incentives for economic agents. If there is more inclusivity in the formal institutions, there will be a better and more economic-friendly environment, which will create jobs, people will have high incomes, let the children go to school, and let the people access and utilize healthcare services; overall development will occur.

This study tests whether Afghanistan has had those inclusive economic institutions that the authors believe are the root causes of the differences in economic development among the countries. If these institutions are actually inclusive, they should have a positive and significant effect on the development of Afghanistan.

Similarly, democracy in Afghanistan from early 2002 to mid-2021, which the authors consider an inclusive political institution, should be positively and significantly related to the development in Afghanistan. While non-democratic regimes in Afghanistan from 1990 to 2001, in this case only, which the authors consider extractive institutions, should have a negative and insignificant effect on the development of Afghanistan, as the theory theorizes development can occur if political institutions are broad-based and inclusive; the regime is democratic in structure.



### Pictographic Representation of Theoretical Framework



**Figure 3.1:** Pictographic representation of theoretical framework

As shown in figure 3.1, political regime type i.e. democracy and institutions which are accountable, effective, well regulative, law-based and corruption-free have effects on the development of Afghanistan.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **I. Research Strategy**

I have employed a mixed-method research strategy with a deductive approach that is I have used the theory of institutions as the base of the study, made hypotheses, collected data and checked the validity of the theory in the case of Afghanistan. In this case, considering the nature of the study, mixed-method is considered appropriate. In a low-income country like Afghanistan, only quantitative data is insufficient to understand the underlying causes of this major and persistent development problem. Furthermore, there is a lack of data about Afghanistan concerning both independent and dependent variables. In addition to the aforementioned reasons, the department also instructed us to include a qualitative chapter or section in the thesis in the case that the study was entirely quantitative. Hence, this study employed a mixed-method approach. This study shows the relation among the variables; political regime type, institutions and economic development based on the theory of institutions. I have conducted this study using a positivist epistemological position, that is it involves scientific research methods using empirical data and the reality is viewed as objective.

#### **II. Research Design**

This is an empirical study testing the hypothesis that Political regime type and the quality of institutions (Voice and Accountability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption) are positively related to HDI of Afghanistan. The quantitative analysis relies on secondary data from different sources. There is also a chapter on qualitative

work, for that, I have conducted a few interviews. It's an explanatory study because in this dissertation I am conceptualizing the concept of regime, institutions and development in Afghanistan's context, it would explain the type of regime whether they were democracies or non-democracies and what institutions, measured by five different indicators, emerged and have tried to explain their link with development.

### **III. Methodology of Quantitative Work**

#### **Empirical Analysis**

Using time-series data from several sources on Afghanistan, this chapter assesses and tests the model's assumptions and hypotheses. This section begins with an explanation of the regression model, followed by the dataset with a discussion of the dependent variable and the independent variables.

#### **Regression Model**

This thesis dissertation employs the Generalized Method of Moments (GMM) which was codified by Hansen in 1982. It is a computationally simple method for constructing consistent and asymptotically normally distributed estimators of statistical model parameters. It has been extensively used in many fields of economics. To show the relationship between the regime type, and institutions with development. GMM instrumental technique is suitable for this study because there exists endogeneity in the dependent variable. Moreover, there exists one dummy variable; political regimes which is 0 for non-democratic regimes while 1 for democratic regimes. These are the two main reasons for applying the GMM model. The dependent variable

is measured by the country's human development index. The independent variable of institutions is measured by worldwide governance indicators of a country. The regression model is:

**Model:** HDI is a function of political regime type (Democracy and non-democracy) and institutions (Voice and Accountability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption).

$$HDI_t = \alpha_0 + \beta PR_t + \beta VaA_t + \beta GE_t + \beta ReQu_t + \beta RoL_t + \beta CoC_t + \varepsilon_t \dots (1)$$

Regression analysis is used to test the hypothesis regarding the relationship between political regime type, institutions and development. The hypothesis is:

**Hypothesis:** Political regime type and the quality of institutions (Voice and Accountability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption) are positively related to the HDI of Afghanistan.

### **The Dataset**

The data obtained observe the variables over 30 years, from 1990 to 2020. 30 years of data has been used because it's the available data on Afghanistan. Data, both on the dependent variable, which is HDI, and independent variables, which are institutional factors, is limited to 1990.

Furthermore, data had to be changed to provide an acceptable number of observations. Some of the datasets utilized in this model had missing values of 6 years; from 1990 to 1996, however, they were accessible at the following yearly intervals. In this example, the data from the six years after that was collected and averaged for each missing year.

While extreme outliers existed in other cases and were therefore corrected, it is important to correct outliers in order to minimize inconsistency, misleading findings and interpretation, and capture honest estimates (Osborne et al., 2004). Hence, the values from the two prior and two subsequent years were averaged for each extreme value.

### **The Dependent Variable**

The dependent variable in this study is Afghanistan's Human Development Index (HDI) in a particular year. Human development is defined by the United Nations Development Program as "a process that, rather than focusing on increasing individual incomes, maximizes human choices — through enhancing human rights, freedoms, capabilities, and opportunities." (Human Development Report, 2015, p.1)

The development process necessitates that people must be educated; they must be able to read and have access to at least elementary school education, they must have a sufficient income to live in decent conditions, they must be healthy, and they must live long lives. Economic development is emphasized since economic growth alone cannot assure that every citizen of a particular country lives in good conditions. Despite fast economic growth, a considerable portion of a country's people may remain in poverty, resulting in greater economic disparity. As a result of increased inequality, the economy may stagnate.

Thus, development is defined in this dissertation as a multidimensional process that encompasses all of the variables that form and decide an individual's life result. The Human Development Index of the United Nations measures progress in education, health, and personal income.

The HDI was created to focus on individuals, more specifically, on their opportunities to pursue fulfilling work and lifestyles. In addition to typical economic growth statistics like the gross

domestic product, assessing a nation's capacity for individual human development offers another criterion for assessing its degree of development (GDP) (Human Development Index, n.d., para. 1)

When two countries, for instance, have almost the same GNI per capita but have vastly different results in terms of human development, the HDI may be used to assess the numerous policy decisions made by those countries. The HDI's proponents expect that it will help spur this kind of fruitful public policy discussion (Human Development Index, n.d., para. 4).

The HDI is a summary measurement of fundamental human development achievement levels. The calculated HDI of a nation is the average of indices for each of the life factors considered: knowledge and understanding, living a long and healthy life, and a decent standard of living. The geometric mean of the three components is determined after each of the four components has been standardized to a scale between 0 and 1. (Human Development Report, n.d., para. 1).

The life expectancy at birth in each nation is used to construct the HDI's health component. This component is normalized so that it equals 0 when the life expectancy is 20 and 1 when it is 85. (Human Development Report, n.d., para. 3).

Education is measured on a child's expected years of schooling at the typical age for starting school and the mean years of schooling for residents of a country are used to quantify. These are each independently adjusted such that the expected schooling period of 18 years and the mean schooling period of 15 years both equal 1 before calculating the simple mean of the two. (Human Development Report, n.d., para. 4).

GNI per capita based on purchasing power parity (PPP), a popular indicator used to reflect average income, is used to represent the standard of living. When the GNI per capita is \$75,000, the standard of living is normalized to be equal to 1, and when it is \$100, it is equal to 0. (Human Development Report, n.d., para. 5).

The geometric mean of the three components is computed for each country's final HDI score by taking the cube root of the product of the component values that have been normalized. (Human Development Report, n.d., para. 1).

The HDI divides nations into four categories based on these three indicators of development: low human development (0.0 to 0.499), medium human development (0.50 to 0.799), high human development (0.80 to 0.90), and very high human development (0.90 to 1.0). (Todaro et al., 2012).

### **Independent Variables**

The first independent variable is political regime type, a dummy variable where 0 represents non-democratic regimes and 1 stands for democratic regimes. **Policy IV** dataset was supposed to be used for the evaluation and specification of the regimes, however, there are 18 missing values in 30 years' annual data. The second independent variable is institutions which are measured by worldwide governance indicators dataset.

### **Worldwide Governance Indicators**

Governance is the process through which authority is exerted inside a country. Good governance occurs when a government is accountable to its citizens and strives for and acts in their best

interests. It is critical for nations to practice good governance in order to improve the socioeconomic situations of its citizens (Abdellatif, 2003). Because authority is exerted via institutions, this dataset is regarded as an excellent indication of institutional quality (Moreno et al., 2005).

The Worldwide Governance Indicators constructs aggregate indicators of five broad dimensions of governance namely; (i) voice and accountability, (ii) government effectiveness, (iii) regulatory quality, (iv) rule of law, and (v) control of corruption.

These five aggregate indicators are based on over 30 underlying data sources that reflect on the perspectives of governance held by a significant number of company, citizen, and expert survey respondents in both developed and developing nations. These statistics are compiled by a variety of survey institutions, think tanks, non-governmental organizations, international organizations, and private sector enterprises (Worldwide Governance Indicators, n.d., para 3)

The Worldwide Governance Indicators dataset has defined each of the five indicators in the following way.

**Voice and Accountability** *“reflect perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media”.*

**Government Effectiveness** *“reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies”.*



**Regulatory Quality** “reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development”.

**Rule of Law** “reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence”.

**Control of Corruption** “reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests”.

Each governance estimate, i.e. institutional quality (ranges from -2.5 (poor) to 2.5 (excellent) governance/ institutions performance) (Worldwide Governance Indicators, n.d., para 4)

#### **IV. Research Methodology for the Qualitative Chapter**

A chapter of qualitative work has been completed in accordance with the department's requirements. For this reason, the following unit of data collection (UDC) was deemed appropriate given the nature of the issue.

##### **UDC: Political Scientists, Economists and Previous Government Officials.**

**Explanation:** In order to understand what experts think about the role of political regime types and institutions in development, in-depth semi-structured interviews are conducted to elicit information and understand the perspectives of experts, former government officials on the role of different regime types and the quality of government institutions on development in Afghanistan over the last 30 years. They have provided me with an overview of various regimes, their performance on development, as well as the history of institutions and their consequences on development.

Previous Government officials were picked for this topic because they have a strong awareness of Afghanistan's many regimes, while officials and professionals have a good understanding of the condition of institutions and their underlying role in development.

Semi-structured interviews have been chosen for this topic because they allow the researcher to list down the main themes or questions for the interview to ask and it provides some flexibility regarding the order of the questions. Though these interviews are flexible, however, they require the interviewer to remain focused on the main questions and not let the interviewee speak away from the topic.

## **Sampling**

The qualitative analysis has been done using purposive sampling. This sampling has been used because it best suits the study; the nature of the topic required that only experts with a great deal of knowledge and expertise be asked to comment on this topic (Bryman, 2016, p. 416). And the Afghan political scientists, economists, politicians and government officials had to be selected strategically and based on their knowledge, expertise and relevance to the topic. And 20 participants, who were part of the sample, were interviewed. This number of participants is enough for the qualitative chapter to elicit detailed information about the role of political regimes and institutions in the development of Afghanistan. It's important to mention that there was a great deal of variety in the sampling, that is participants, especially government officials interviewed, had worked in different regimes and times in Afghanistan and they were not the officials of only one regime; a quota was maintained for government officials of each regime in Afghanistan.

## **Locale**

Though some of the interviews were conducted in Kabul, because the interviewees were Kabul-based, however, some of the interviews are conducted online via Zoom app because the participants relevant to this topic could not be found available in Afghanistan.

## CHAPTER 5

### Results and Discussion

This chapter begins with the analysis of secondary data, including summary statistics, correlation probability, descriptive analysis of variables in graphic representations, regression analysis, autocorrelation matrix, and diagnostic and normalcy tests. Findings, interpretations, and discussions are provided, and they are backed by previous work on the subject elsewhere in the world. The second section of the chapter provides a thorough examination of the interviews with specialists on the subject. The last section of this chapter gives a conclusion based on both quantitative and qualitative analyses, followed by policy suggestions.

#### I. Summary Statistics

This section presents Summary Statistics, also known as Descriptive Statistics, which are used to convey quantitative information in a more comprehensible format. Because there are several HDI measures and institutional indicators, summary statistics help to simplify the enormous amount of data and offer a logical and clear interpretation of the data.

**Table 5.1:** Summary Statistics

	HDI	LCOCE	LGEE	LVAE	LROLE	LRQE
Mean	0.409767	-0.224351	0.144161	0.191864	-0.565896	0.125169
Median	0.4135	-0.189039	0.188652	0.229925	-0.556098	0.129457
Maximum	0.511	-0.086636	0.323448	0.303621	-0.256214	0.301600
Minimum	0.302	-0.441635	-0.114441	-0.017413	-0.985613	-0.050428
Std. Dev.	0.075603	0.097897	0.114318	0.100920	0.180353	0.106907
Observations	30	30	30	30	30	30

In Table 5.1 HDI is the Human Development Index which measures the level of development in Afghanistan, LCOCE is the log of Control of Corruption, LGEE is the log of Government Effectiveness, LVAE is the log of Voice and Accountability, ROLE is the log of Rule of Law and LRQE is the log of Regulatory Quality.

Table 5.1 shows that the mean and median of Human Development Index are 0.409767 and 0.4135 respectively which means that development has been low from 1990 to 2020; low development outweighs the high development. The maximum of HDI is 0.511 and it is scored in 2019 during the republic while the minimum is 0.302 and it is scored in 1990 during the regime of Mujahedin. This shows the disparity in HDI scoring in two different regimes. And the standard deviation of HDI is 0.075603 which means that there are more spread outs in HDI. This table reveals the institutions have been weak and performed poorly from 1990 to 2020, this was especially the case during the Mujahedin and Taliban regimes when Afghanistan had emerged from occupation, civil war and chaos. But corruption is seen to be more prevalent during the republic.

The mean and median of control of corruption are -0.224351 and -0.189039 respectively which means that on average the control of corruption has been low in different regimes throughout the duration of 30 years. The maximum control of corruption is -0.086636. And the minimum is -0.441635. And the standard deviation is 0.097897 which means that spread from the mean value of control of corruption.

Similarly, the mean and median of government effectiveness are 0.144161 and 0.188652 respectively which means that on average the government effectiveness was low. The maximum

of GE is 0.323448 And the minimum is -0.114441. And the standard deviation is 0.114318 which means that there are big spread outs from the mean value of government effectiveness. While the mean and median of Voice and accountability are 0.191864 and 0.229925 respectively which means that has been low. The maximum VA is 0.303621 And the minimum is 0.303621. And the standard deviation is 0.100920 which means that there are spread outs from the mean value of voice and accountability.

Similarly, the mean and median of rule of law are -0.565896 and -0.556098 respectively which means that rule of law has been very weak. The maximum rule of law is -0.256214 And the minimum is -0.985613. And the standard deviation is 0.180353 which means that here too the spread-outs exist from the mean value of rule of law.

And lastly, the mean and median of regulatory quality are 0.125169 and 0.129457 respectively which means that regulation has been very weak and low. The maximum of RQ is 0.301600 And the minimum is -0.050428. And the standard deviation is 0.106907 which means that spread-outs exit from the mean value of regulatory quality.

## **II. Descriptive Analysis**

This part of the chapter provides a basic overview of the performance of institutions, as well as their relationship and effect on the Human Development Index in figures. This provides a simple overview of the findings. To demonstrate the nature of their relationship, each institutional indicator is presented alongside the HDI from 1990 to 2019.

### HDI & Regulatory Quality

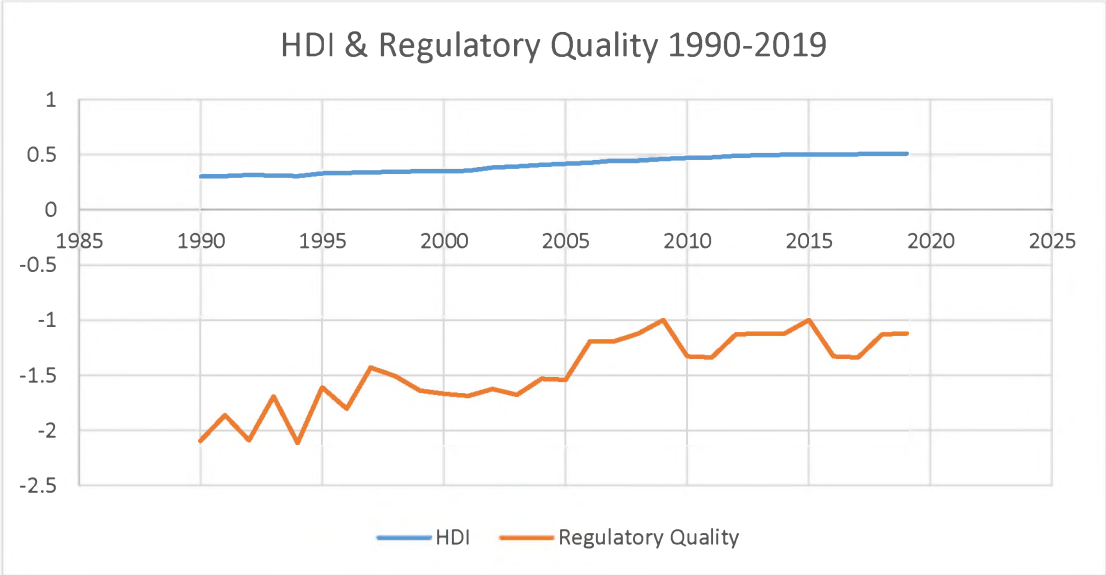


Figure 5.1: HDI & Regulatory Quality

As figure 5.1 depicts the premise that as regulatory quality improves over time, the Human Development Index increases. As a result, there is a link between regulatory quality and HDI.

### HDI & Control of Corruption

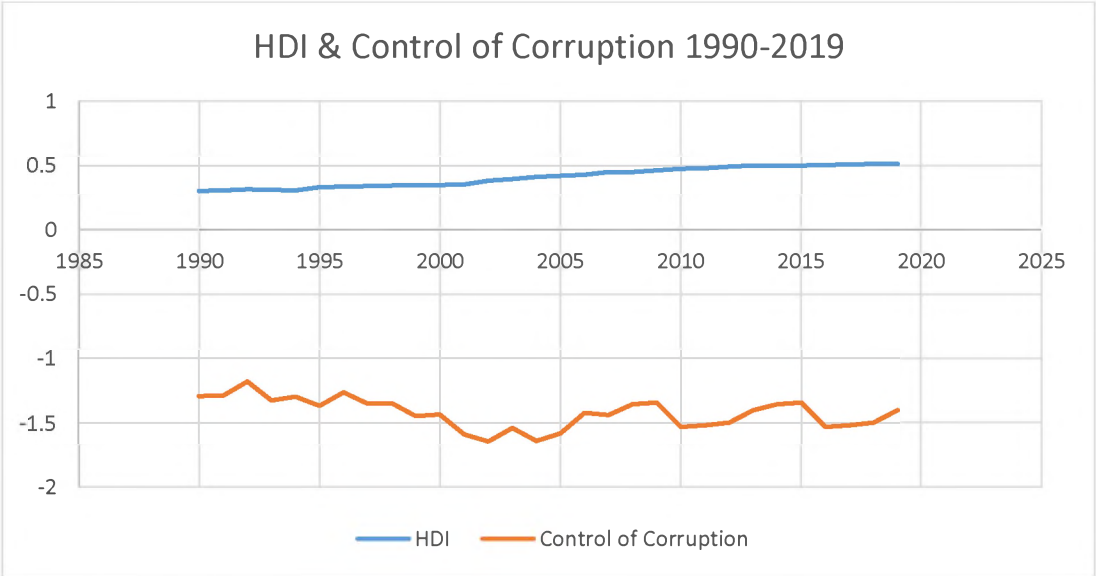
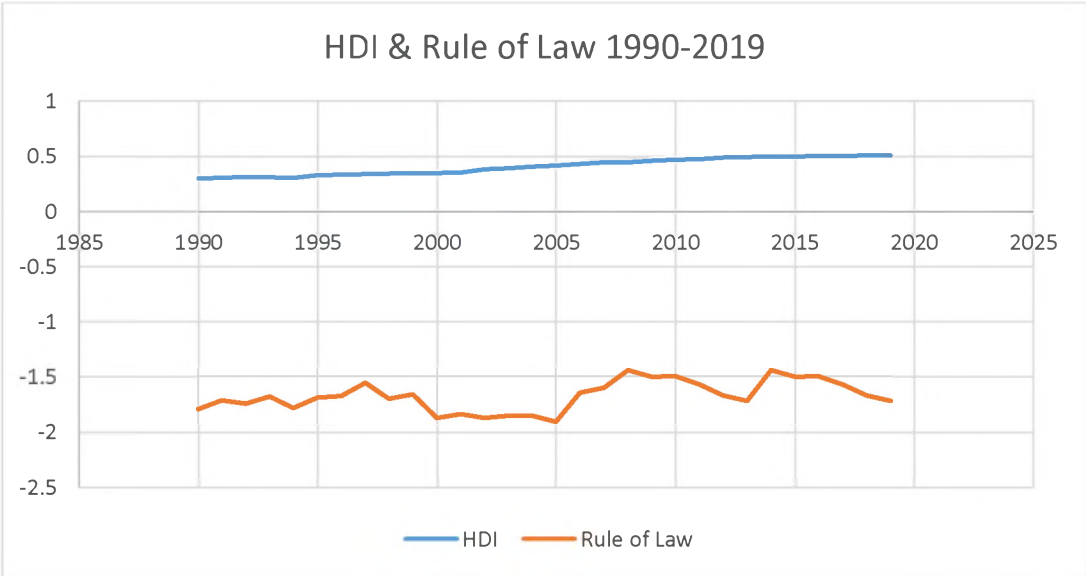


Figure 5.2: HDI & Control of Corruption

As figure 5.2 depicts, as corruption control deteriorates over time, the Human Development Index rises. As a result, there is a negative relationship between control of corruption and HDI, which contradicts our hypothesis yet it is supported by the literature and the results of the study that some developing countries experience rapid economic growth and development due to the prevalence of corruption.

**HDI & Rule of Law**



**Figure 5.3:** HDI & Rule of Law

As figure 5.3 depicts, overall as the rule of law improves over time, Human Development Index increases. Hence, both of the variables move in the same direction which is consistent with our hypothesis.



### HDI & Government Effectiveness

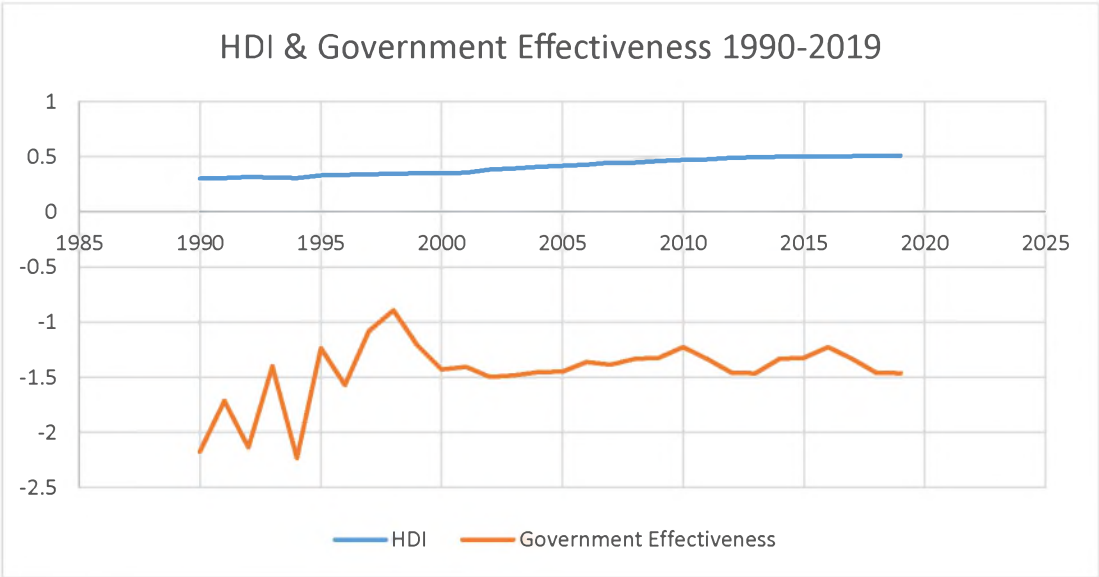


Figure 5.4: HDI & Government Effectiveness

As figure 5.4 depicts, overall as the government effectiveness improves over time, Human Development Index increases. Hence, there is a positive relationship between government effectiveness and HDI which is consistent with our hypothesis.

### HDI & Voice & Accountability

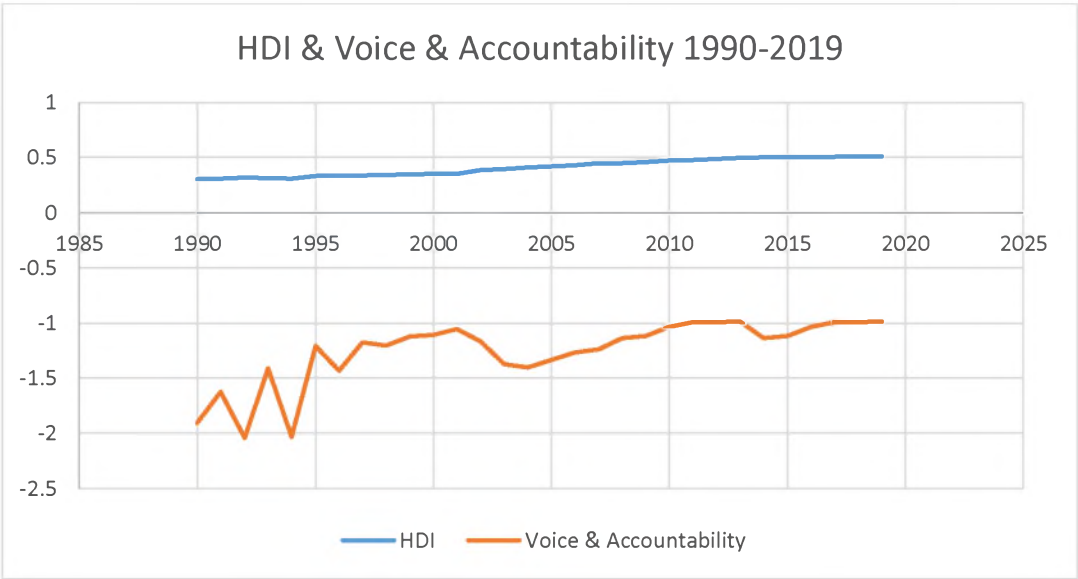


Figure 5.5: HDI and Voice & Accountability

As figure 5.5 depicts, overall as the voice deteriorates over time, Human Development Index increases. Hence, there is a negative relationship between voice & accountability and HDI which goes against our hypothesis hypothesis. The reason of the negative relationship between HDI voice and accountability is institutional weaknesses. As discussed later in the main results, low-income countries with poor institutions, accountability, and corruption control limit economic growth and so development (Lemke, 2014).

### III. Correlation Coefficient

This section presents correlation probability uses quantitative methods to investigate relationships between variables; dependent variable with independent variables and the relationship among independent variables. Correlation probability help us a general idea of the findings in a valid way.

**Table 5.2: Correlation Coefficient**

Correlation Probability	LHDI	LGEE	LCoCE	LRoLE	LRQE	LVAE
<b>LHDI</b>	1.000000	-	-	-	-	-
<b>LGEE</b>	0.691363 0.0000	1.000000	-	-	-	-
<b>LCoCE</b>	-0.697918 0.0000	-0.515820 0.0035	1.000000	-	-	-
<b>LRoLE</b>	0.135143 0.4764	0.266948 0.1539	0.406174 0.0259	1.000000	-	-
<b>LRQE</b>	0.884045 0.0000	0.840800 0.0000	-0.492688 0.0057	0.403349 0.0271	1.000000	-
<b>LVAE</b>	0.816454 0.0000	0.934142 0.0000	-0.620967 0.0003	0.219660 0.2435	0.896047 0.0000	1.000000

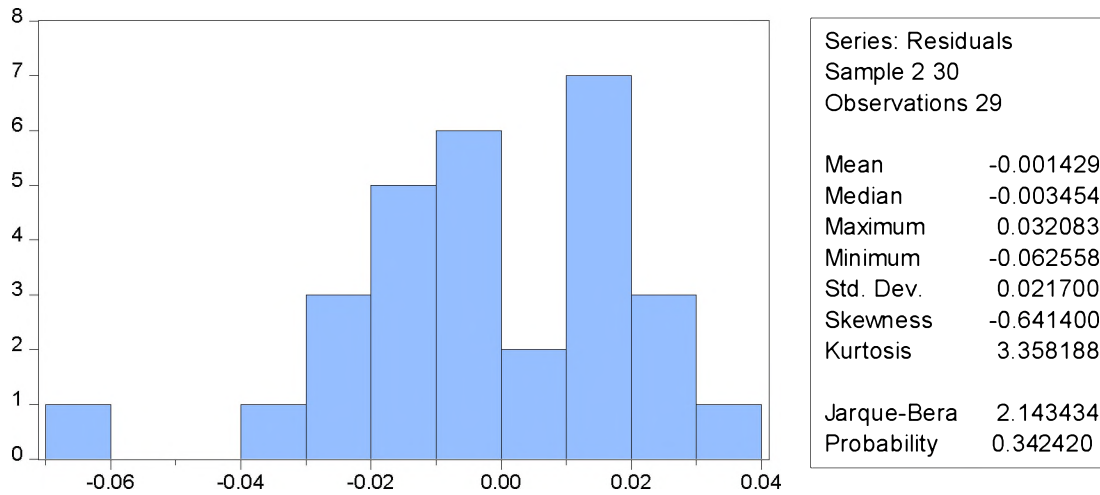
As table 5.2 shows there is a relationship between the dependent variable and independent variables. Government effectiveness, Rule of Law and Regulatory Quality, have a positive and significant relationship with Human Development Index. While Control of corruption and Voice and Accountability have a negative and insignificant relationship with Human Development Index. As discussed in the main results, this finding is endorsed by findings in some countries which say that in some countries corruption has a positive relationship with growth and development.

Similarly, the table shows there is some relationship among independent variables, and some are strongly related to each other. For example, there is a strong relationship between government effectiveness and regulatory quality and similarly, there is a relationship between government effectiveness and Voice & Accountability and there is also a relationship between regulatory quality and voice & accountability. Among these variables, there is a high correlation. This indicates the issue of endogeneity in the results. However, theory and ground reality show that there exists this issue. For example, according to the theory of institutions, strong political institutions beget strong economic institutions and vice versa. Hence the presence of endogeneity here does not invalidate our model and results. Moreover, for this reason, we cannot apply OLS and we adopt instrumental techniques.

#### **IV. Diagnostic and Normality Test**

This section of the chapter presents the diagnostic and normality test of the residual to determine whether or not it is normally distributed. A diagnostic and normalcy test is required to ensure the validity of the results.

**Table 5.3:** Diagnostic & Normality Test



The assumption of normality is that the underlying residuals are normally distributed, or nearly so. According to (Thadewald et al., 2007) the residual should be normal and there has been tested by the Jarque Bera normality test which results in table 5.3 and shows that the residual is normally distributed hence our results are valid.

We have used the instrumental technique here; the GMM model and we did not use the Ordinary Least Square (OSL) model because its two assumptions are violated; first, there is the problem of endogeneity in the dependent variable, the Human Development Index (HDI) as table 5.2 and its explanation show, secondly the assumption that all variables must be integrated of level 0 is also violated; I should be zero and here (HDI) violates this assumption and thirdly here in this model we have used a dummy variable for political regimes, the nature of this problem does allow us to apply OLS model. The above-mentioned problems are tackled through instrumental techniques; hence we use GMM. And table 5.3 shows that our model and results in the next section are valid.

## V. Regression Results

This section of the chapter includes the key findings from secondary data regression, as well as their interpretations and discussions. This demonstrates the significance and nature of the effect of independent variables, political regime type and institutions, on the dependent variable.

Instrument specification: DUM GEE VAE COC ROLE RQE C GEE(-1) RQE(-1) VAE(-1)

**Table 5.4: Regression**

Variable	Coefficient	Std. Error	Prob.
GEE	0.131768**	0.050209	0.0155
ROLE	0.224862**	0.102652	0.0394
RQE	0.071661***	0.025541	0.0103
VAE	-0.087419**	0.032483	0.0133
COC	-0.166394	0.105095	0.1276
DUM	0.067822***	0.018906	0.0016
C	-0.082372	0.108803	0.4570

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Adjusted R-squared	0.905136
Durbin-Watson stat	1.967685
Prob(J-statistic)	0.492725

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\*\*\*, \*\*, \* represent the level of significance at 1%, 5% and 10% respectively.

As table 5.4 shows there is a relationship between the dependent variable and independent variables. Government effectiveness, Rule of Law, Regulatory Quality and Voice and Accountability have a positive and significant relationship with Human Development Index. While Control of corruption has a negative and insignificant relationship with Human Development Index. As discussed in the main results, this finding is endorsed by findings in some countries which say that in some countries corruption has a positive relationship with growth and development.

Similarly, the table shows there is some relationship among independent variables, and some are strongly related to each other. For example, there is a strong relationship between government

effectiveness and regulatory quality and similarly, there is a relationship between government effectiveness and Voice & Accountability and there is also a relationship between regulatory quality and voice & accountability. Among these variables, there is a high correlation. This indicates the issue of endogeneity in the results. However, theory and ground reality show that there exists this issue. For example, according to the theory of institutions, strong political institutions beget strong economic institutions and vice versa. Hence the presence of endogeneity here does not invalidate our model and results.

The above table shows the relationship between the Human Development Index and political regimes. Similarly, institutions; government effectiveness, rule of law, and regulatory quality are trivial factors in determining HDI. Voice and accountability is negatively yet significantly while control of corruption is negatively and insignificantly related to HDI.

In the above table, according to this model if there is a democratic regime, then HDI increases by 0.006 units compared to other regimes. As it is hypothesized any political regime type is statistically significant. This implies that political regime types are an important prediction of HDI. This finding is endorsed by the experts who were interviewed and Torlo (2017) that political regimes have a significant and positive effect on development. However, both the author and the interviewed experts believe that it's not necessarily a democratic regime that brings development, rather it's any political regime that makes development-oriented policies and has good institutions (Torlo, 2017).

The table shows that if government effectiveness increases by one unit then HDI increases by 0.131%. This finding is supported by a study in which there GMM model is used and found that government effectiveness has a significant and positive effect on development (Alam et al., 2017)

Similarly, the table shows that if rule of law increases by unit then HDI increases by 0.10%. This finding is supported by both experts in interviews and studies that claim that rule of law is a key determinant of development (Ohnesorge, 2007).

The table shows that if regulatory quality increases by one unit then HDI increases by 0.07%. effective regulation promotes growth and development while ineffective regulation does the opposite. Hence regulatory quality is a determining factor in development. This finding is supported by the interviewed experts and a study that claims that regulatory quality and development are strongly correlated (Jalilian et al., 2007).

While if voice and accountability increase by one unit then HDI decreases by 0.08% and similarly if control of corruption increases by one unit then HDI decreases by 0.16%. Voice and accountability and corruption are related, if there is less voice and accountability it means that there can be corruption. The reason that voice and accountability negatively affects development in and control of corruption is insignificant and negatively affects development in Afghanistan is that of institutional weaknesses. The impact of control of corruption is country-specific; in developing countries where institutions are weak corruption positively affects the economy as compensation for red tape and institutional weaknesses. This model's findings are supported by the findings in qualitative work in which Afghan experts; political scientists, economists, historians and government officials were interviewed. They confirmed that corruption was widespread during the republic because there was a gap for it which was created by institutional weaknesses (Lemke, 2014).

## VI. Autocorrelation Matrix

Autocorrelation, also known as serial correlation, is the degree of correlation of the same variables between two successive time intervals. It measures how the lagged version of the value of a variable is related to the original version of it in a time series. This matrix is necessary to show the validity of the results.

**Table 5.5: Autocorrelation Matrix**

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob*	
.  *	.  *	1	0.142	0.142	0.6442	0.422
.  **	.  **	2	0.302	0.288	3.6888	0.158
.  .	.  .	3	0.043	-0.031	3.7528	0.289
. *  .	. *  .	4	-0.090	-0.198	4.0430	0.400
.  .	.  *	5	0.047	0.083	4.1242	0.532
.  .	.  .	6	-0.061	0.020	4.2691	0.640
.  .	.  .	7	0.007	-0.027	4.2714	0.748
. *  .	. **  .	8	-0.178	-0.212	5.6279	0.689
. *  .	. *  .	9	-0.172	-0.135	6.9573	0.642
. *  .	.  .	10	-0.150	-0.004	8.0196	0.627
. *  .	.  .	11	-0.083	0.054	8.3668	0.680
. *  .	. *  .	12	-0.075	-0.089	8.6622	0.731

As table 5.5 shows there are 12 lags and they all are within their limits; no spike has exceeded the limits. We have included 12 lags and in that no spike has exceeded the limits. In this test, the null hypothesis assumes that there is no autocorrelation in the model while the alternate model assumes that there is autorotation in the model. So as it can be seen in the table that all the lags have an insignificant relationship with the dependent variable. Therefore, we accept the null hypothesis; there is no autocorrelation in our model and hence the results are valid.



## **VII. Qualitative Analysis**

In Afghanistan if regimes' performance in development is compared from 1990 to 2021, on the one hand, during the Mujahedin regime there was a civil war, chaos, and anarchy, the country had recently emerged from war and foreign occupation. There was no development during this time; Afghanistan was the poorest and the least developed country on the surface of the earth (Human Development Report, n.d., p. 77). It's not just because there wasn't a well conducive environment for it and bad things had happened by then, but it's also because of what choices the regime made and what vision did it have for development. The ruling class had a choice between peace and reconciliation, and conflict and civil war; they chose the latter. Furthermore, the Mujahedin regime lacked a vision for development. When compared to other eras, it was the worst time for development. Afghanistan was unable to develop under the regime.

While during the Taliban's regime, there was relative stability, and order, notwithstanding international isolation and cutting off the international aid. Again, development didn't happen, and it's not just because Afghanistan was isolated by the international community and they didn't help her. The regime had an absolutely critical role in the un-development of Afghanistan, it again remained the poorest and least developed country. The regime's policies were against development; they didn't allow girls to go to school and women to work. Development scored zero this time too. This regime too failed Afghanistan to develop.

And during the republic a new foundation was established with the help of the international community, democratic institutions were founded and a framework of governance was created. Afghan professional cadre returned to Afghanistan. Development work started and great progress was made despite insecurity and widespread corruption. One can question these improvements to be made and driven by the international community's aid, it's a valid point, one of the

interviewees said in this regard “*each time a country emerges from war and destruction, they need a helping hand and Afghanistan was no different*”. However, this entire development work cannot be credited to international aid, the regime had its great part in; the regime, despite problems, had a vision and commitment for development and it achieved it up to some extent. This was not an ideal situation for development because millions of people still lived in poverty and millions of children in the rural areas remained out of school. More could have been achieved, however, it was a far better situation. A lot of progress was made; millions of children went to school and millions of men and women went to universities, businesses flourished. The democratic regime achieved development goals to some extent. One of the interviewees said in comparison that “*this is nothing compared to the Taliban and Mujahideen era. One side was zero and the other side is debating how to get to 100*”. Another said that “*It was far better than the 90s. we had a lot of progress compared to the 90s because of relative stability, political development.*” While another said that “*From 1990 to 2000 I give a score of 25 to development. And the role of the regime in development was very weak. And from 2001 to 2021 I give a score of 65 to development. And the role of the regime was moderate.*”

As this study hypothesizes that political regimes and institutions affect development in Afghanistan, however apart from the role of regime played in the development and/or un-development some external factors limited the regime’s and institutions’ role in development. Those external factors are:

## **External Causes for Low Development**

### **Emergence from Soviet Union occupation:**

After the Soviet forces withdrew from Afghanistan in 1989, Afghanistan was ravaged by war, institutions were fractured, the economy collapsed, and people fled to the neighboring countries in millions. After the occupation, Afghanistan didn't achieve peace. War was still going on between the government of Dr. Najib and Mujahedin until the government collapsed in 1992 and Mujahedin took over.

### **International Isolation, Sanctions and no International Aid:**

Afghanistan was the least developed country or more correctly the most undeveloped country in the world during the 1990s (Human Development Report, n.d., p. 77). Decades-long war and occupation had ravaged it. One of the interviewees pointed to the situation and said that *“When the Russians withdrew from Afghanistan and Najibullah's regime fell, it emerged from a long war and the government didn't have the prerequisite for development”* One factor that caused this level of low development was international isolation and the cutting off the international aid, this was especially the case during the Taliban regime; Afghanistan was not an UN-recognized state and it was recognized only by three countries; Pakistan, Saudi Arabia and United Arab Emirates. Afghanistan which emerged from occupation, war and then civil war didn't receive international aid. It not only didn't receive international aid but it was sanctioned. These external factors caused low development in Afghanistan during the 90s. In this regard, one of the interviewees said that *“when the time came for the Taliban, the international community either crushed or isolated the Taliban in absolute terms, imposed sanctions on them and did not help them. All avenues were closed to them; no progress was made”*.

## **Internal Causes for Low Development**

### **Civil War and Chaos:**

After the collapse of Dr. Najib's government, the Mujahedin could not be agreed upon who and which party would rule and how; hence civil war started and it caused more destruction to the capital city of Kabul than it experienced during the war against the Soviet forces. Explaining the chaotic situation in Afghanistan in the 90s one of the interviewees said that *"In 1992 we had a regime collapse and then we had chaos in the country, we were in a situation where there was no central government, the government system was distributed among the warlords, it was not the government system. Those 10 to 12 years were chaotic, where gun was dominated and the state government was not there"*

This unstable situation made deteriorated the already worse things. Educational institutions were shut down, people had no jobs for earning a living, and the health of children, women and men deteriorated as there were no healthcare facilities even if there were, they were not enough. people were starving, everyone was concerned about survival, and development was a far-reaching thing to think about. In this regard, one of the interviewees said that *"From 1990 to 2001 years there was no stability, there was chaos and there was war. And in times of war, progress can never be made."*

### **Absence of Central Authority:**

Another factor that didn't let Afghanistan develop was the absence of strong central authority during Mujahedin's regime, there was no central authority at that time; different parts of Afghanistan were ruled by different groups and parties; one would not listen to the other nor the center. In such a situation development could not happen. Absolute sovereignty and strong

central authority are critical for a stable and prosperous society. This situation blocked the way for development. In this regard, one of the interviewees said that *the “Mujahedin regime didn’t have full authority over the whole country. There was the rule of sects. administration was in turmoil”*. Another interviewee said that *“Even in Taliban’s era there was not a single day that had claimed that they controlled the whole country”*.

This thing was also felt during the era of the republic; with its advent, power was distributed among the powerful people “warlords” and they challenged the center and created problems in policy-making and implementation; it undermined the government and created obstacles in the work of development for rent-seeking. Pointing out the situation in the republic one of the interviewees said that *“We had a central government but there were still pockets of power that was distributed. Warlords challenged the center. Had they not existed and central government had not been challenged, the government would have made a lot of progress at a much lesser cost”*.

### **Role of Regime**

No doubt there were some external and internal factors other than regime and institutions that caused un-development during the 90s, however, those alone cannot be responsible for it. The regime had its role to play in development. Regimes during the 90s were absolutely responsible for the development situation in Afghanistan. The Mujahedin and Taliban regimes failed to govern and bring development to Afghanistan, in fact, there was no awareness and vision or plan for the development of the country. Their idea of governance was completely changed from the standard of governance in the modern world. During the 90s due to some internal and external factors and due to the failures of the regimes in those times, development was at the lowest level;

people were hungry and concerned about survival let alone education, better living conditions and improved health. One of the interviewees said that *“During the regime of Mujahedin gun dominated over everything else; there were no rules; it was tyranny. Another said that “in Mujahedin era there was law of the jungle”.*

A regime that does not consider itself accountable and responsible for people’s welfare, development cannot be experienced. The Mujahedin and then the Taliban regimes had no vision and intention for development work. They had no knowledge and plan for development.

The Taliban regimes made policies that were anti-development; they banned girls and women from education and work. Taliban regime was purely Taliban’s regime; there were no people or professionals of different ideologies. A person had to be a Talib in order to work in the government. Responding to the question of the cause of the Taliban’s regime failure in development in Afghanistan, one interviewee said that *“Taliban didn’t have the legitimacy, it was enforced on the people of Afghanistan”.*

Strict sharia rules were implemented; men were forced to grow beards and women to cover their faces; they were barred from education, work and going outside without a mahram. With very poor service delivery, Afghanistan was de-developing each day under this regime. Poverty and starvation were very high in a great proportion of the population. Regime definitely had its role in it. They failed to govern and develop Afghanistan.

On the question of how the Taliban ruled Afghanistan one interviewee said that *“they adopted tyranny, monopolized all power, did not accept or value the words of the people. Taliban’s idea of governance was changed; the government did not consider itself responsible”* Another interviewee in this response said that *“Under the Mujahidin and the Taliban, governance was at an all-time low”.*

Responding to the relationship between regime type and development one of the interviewees said that *“Where there is corruption, there is tyranny, there is one ideology and other views are not respected, then naturally there is no development”*.

In late 2001 Afghanistan has a completely different regime type; democracy was introduced and democracy was established with its three pillars executive, legislature and judiciary. Constitution was revived, and a new framework of governance was established.

There were still some problems; foreign forces were present and the Taliban fought it. The legitimacy of the regime was questioned in the presence of foreign forces. Corruption reached its peak. There was an unequal distribution of power and resources. Despite great international aid, a considerable proportion of the population remained in poverty and their children out of school. These were some of the failures of the 20 years long democracy, however, there were some great socioeconomic achievements made during the last 20 years; millions of children went to schools, millions of young men and women went to universities, and a strong private sector emerged and businesses flourished. The achievements of the republic outnumber and outweigh its failures.

Mentioning the achievements and failures of the republic institutions one of the interviewees said that *“In 2001 we expanded human capital and in 2010 and 11 we had strong cadre in these institutions although there was corruption, although there was mismanagement although there was “nepotism” but then relatively; in comparison to the 90s, we had stronger institutions. We had stronger institutions that were able to produce results albeit lower effectiveness and efficiency. Had there been more of a meritocracy, had there not been corruption, we would have done much much better than what we did by between 2008 and 2014 and up to 18”*. Talking about the inclusivity of the republic one of the interviewees said that *“The republic had all the ideological, political and religious groups except the Taliban”*.

These achievements cannot be associated with the international aid only, the regime; the policies and their implementation had a critical role in it. Many mistakes were made however, this regime was held accountable and responsible by the people; it was oversighted by the people's representatives in the parliament. Hence regime mattered and affected development in Afghanistan.

In response to the question that if democracy is the best and most suitable regime type for Afghanistan or if any other regime type is suitable taking into consideration the social, cultural, and religious aspects of the lives of the Afghans, two the interviewees said that *“a western-style democracy is the ideal form of government, yet Afghanistan is not ready for it for next 20 years classic liberal democracy requires institutions such civil society, an educated citizenry that can differentiate between good and bad policies, we need perhaps benevolent dictatorial regime that whose most important concern is to work for the economic development of the country”*. Another respondent said in this regard that *“in my opinion, Afghanistan is not ready for democracy in the next fifty years. Because democracy requires professional people and now unfortunately Afghanistan does not have that. Afghanistan requires a regime that has internal legitimacy, is formed inside the country, is accountable, brings peace and works for the welfare of the people and development of the country”*. Hence, according to these experts though during the republic era developments happened but those were not necessarily just because the regime democracy, rather it was their vision, plan and policies and their effective implantation that developments happened.



## **Role of Institutions**

Along with the above-mentioned external factors, internal factors and regime's role, institutions (control of corruption, government effectiveness, voice & accountability, rule of law, regulatory quality) had their own significant role which they didn't play during the 90s and resultantly caused the lowest level of development in Afghanistan. After the intervention of the international community and with the return of professional Afghan cadre from abroad strong institutions were established and continuous efforts were made to strengthen them during the last 20 years and as a result, significant progress was made.

During the 1990s institutions were very weak; they were fractured by occupation, civil war and conflict. The institutions the communist regime left were uprooted. It was as if no institutions existed. It was the institutions that Afghanistan lacked during the 90s that led to the unfavorable situation of a lawless and disordered society hunted by poverty, insecurity, hunger, no or low education, illiteracy and poor health of children, women and men. Strong institutions would not have let the people in power create such an anarchic situation as it was during the regime of Mujahedin. One of the interviewees said that *“basic institutions of the society were lost. Whatever was leftover from the communist regime, were uprooted, and practically we didn't have any institutions that could form the government”*.

Those fractured institutions were inherited by the Taliban regime, during this era it was the rule of individuals not institutions; the role of institutions was undermined during this time.

Institutions were headed by unprofessional and incompetent individuals. The Taliban regime lacked human capacity to build and run institutions. One of the interviewees said in this regard that *“In 1994 the Taliban took over, they had, to a certain extent, fractured institutions because of the four years of civil war and then they handed over those institutions even fractured*

*institutions to the people who were not qualified enough to lead in their circle areas that were in the responsibility, as a result, the institutions continuously came crumbling down and by 200s we had offices of the institutions, title of those institutions but then institutions were not able to operate or remain functional". Resultantly development was blocked.*

In response to questions about the types of institutions that Afghanistan requires for accelerated and sustainable development, all interviewees agreed that institutions that are accountable, effective, well-regulated, law-based, and, most importantly in the case of Afghanistan, institutions that are in harmony with informal yet strong institutions are required. One of the interviewees said in this regard *"that apart from the mentioned qualities of institutions in Worldwide Governance Indicators, formal institutions should be in harmony with informal institutions. Institutions building has always been a challenge for each regime and therefore should never be in conflict with the existing informal strong institutions in Afghanistan"*.

## **VIII. Conclusion**

Afghanistan has faced numerous social, political, and economic issues, including protracted wars, foreign occupations, civil wars, regime changes, lawlessness, mass migrations, internal displacements, and the deaths of millions of people as well as the destruction of infrastructure, institutions, and human capital. Despite having a wealth of natural resources, it has long been one of the least developed countries in the world.

In this study, an attempt has been made to show that political regime types and formal institutions are related to issues with low development, such as low income per capita, low levels of education, and poor health. If regimes are the subject of this discussion, then since 1973, Afghanistan has gone through six different regimes, only one of which was peaceful. The other

five were violent, deadly, and destructive in terms of the high costs they imposed on the country's social and economic development. Absolute monarchy, constitutional monarchy, democracy, a centralized communist regime, Mujahidin's regime, Taliban's, a 20-year republic, and once again the Taliban's Islamic Emirate are the several regimes that Afghanistan has seen. These short-lived regimes sparked political conflicts, endless wars, insecurity, and significant issues with economic and development growth. Formal institutions were destroyed and uprooted as a result of these abrupt upheavals, one regime being replaced by another. The economic and development issues that exacerbated the already dire situation were brought on by the loss of these institutions, which are essential for stability and prosperity.

With the aim of analyzing Afghanistan's developmental challenges using the concepts of political regimes and institutions through institutional economics, this study posits a link between political regime type and the quality of formal state institutions and development. The study examines the institutions that different regimes created or left behind and how these institutions contributed to the political, economic, and developmental issues in Afghanistan. Hence, the study's objectives are to ascertain whether political regimes and formal institutions have contributed to the development or underdevelopment of Afghanistan as well as how development has been influenced by various political regimes and formal institutions.

This hybrid research, which draws data from the Worldwide Governance Indicators and the United Nations Development Program, uses a Generalized Methods of Moments (GMM) regression model to analyze how political regimes and institutions affect development over a 30-year period.

A chapter of qualitative work has also been prepared using in-depth semi-structured interviews with Afghan experts, economists, political scientists, and government officials to elicit detailed

information about Afghanistan's various regimes and institutions in various periods and under various regimes, as well as their role in the development; improvements in people's income, education, and health.

The study concludes that political regime types that are legitimate, domestically originated, accountable, peaceful, stable, pro-people, and pro-development have a significant and positive effect on development - but not necessarily democracy per se. This is based on the estimation of secondary empirical data and the analysis of interviews with subject specialists about the roles of political regimes and institutions. The development of Afghanistan is positively and significantly affected by formal institutions that are accountable, effective, well-regulated, founded on the law, and harmonious with informal institutions.

In addition to the expected results of the study, it was found that some internal and some external factors, including the civil war, chaos, and the absence of a centralized authority, had a negative effect on Afghanistan's development and undermined the ability of political regimes and institutions to play their crucial roles in the country's development. These external factors included foreign occupations, international isolation, sanctions, and the cutting off of international aid. Therefore, it may be inferred that from 1990 to 2019, political regimes and formal institutions had a significant effect on whether development occurred or underdevelopment occurred.

## Findings-based Framework

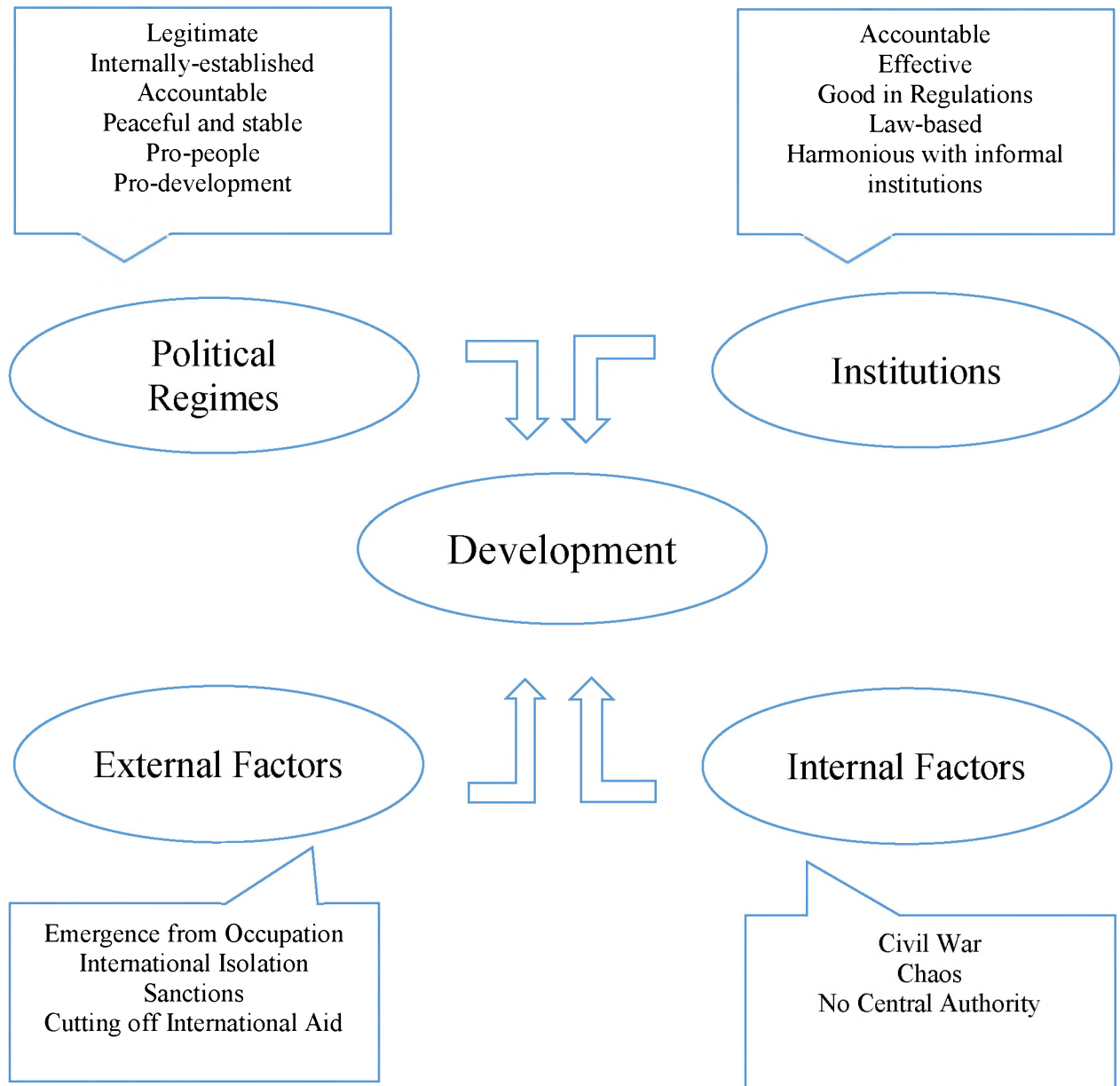


Figure 5.6: Pictographic representation of the revised theoretical framework based on study findings.

The theoretical framework has been revised on the basis of the findings of the study. According to the findings based on secondary and primary data collected through semi-structured interviews with Afghan experts, political scientists, economists, and government officials, the political regimes have played a significant role in Afghanistan's development and underdevelopment. This study contributed that a legitimate, originated from within the country, accountable, peaceful, stable, pro-people, and pro-development regime can bring Afghanistan on the path to development, the regime does not necessarily be a democracy. While the theory claims that countries can develop only under democratic political regimes. This claim is proved wrong both in the literature and by the findings of this study.

Similarly, the findings revealed that institutions are extremely important in Afghanistan's development. Institutions in Afghanistan that are accountable, effective, well-regulated, law-based, and in harmony with informal institutions lead the country to development. In the institutional part, the contribution is that in developing countries such as Afghanistan formal institutions should not be in conflict with informal institutions, rather they should be harmonious with each other for the purpose of strong institutionalization.

Another major contribution of the study is that there were some underlying external and internal factors that have significantly affected the development of Afghanistan and undermined the roles of political regimes and institutions in playing the role in the development. The external factors are the emergence of Afghanistan from foreign occupation, the isolation and imposition of sanctions on Afghanistan by the international community and the cutting of the international which Afghanistan needed desperately. While the internal factors that affected the development of Afghanistan negatively are the civil war, chaos and the non-existence of a strong central authority in the country.

## Policy Recommendations

- Based on the finding that “a regime type that has a strong central authority, is inclusive, accountable and responsible for the security and welfare of the people, is good for the development in Afghanistan”, it is suggested that the political regime should have a strong central authority, be inclusive, accountable, and responsible for the security and welfare of the people.
- Based on the finding that “foreign-introduced and foreign-imposed regimes have failed to bring development to Afghanistan”, it’s suggested that the political regime type should have legitimacy first from its people and then abroad that is it should not be imposed on the people and foreign-introduced or foreign-brought. Rather it should be originated from the people and people should be involved in decision-making. Policies and decisions should be pro-people and pro-development.
- Based on the finding that “formal institutions with transparency, accountability, efficiency and effectiveness have a significant and positive effect on the development of Afghanistan”, it is suggested that a strong foundation should be put for state institutions. However, for this purpose educated and professional cadre should be trained and authorized to run those institutions. For running the country institutions should ensure transparency, accountability, efficiency and effectiveness.
- Based on the finding that “along with formal institutions, informal institutions have a significant positive effect on the development of Afghanistan and that informal institutions can either be obstacle or developer of the formal institutions, it is suggested that formal institutions should avoid confrontation with the informal, yet strong institutions. Local traditions and norms should be respected. There should be a harmonious environment between the formal institutions and informal ones to smooth the functionings of the institutions.

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