

In the Name of God, the Most Merciful, the Most Kind



February 27, 2017

Development Projects in Limbo

It is important for Afghanistan to make maximum use of the resources and funds that are available so that country is able to strengthen its economy and go through these tough times easily. Any resource or funding that is wasted in this crucial juncture of history would have its impacts for a long time to come. Therefore, the government and responsible authorities need to make sure that they remain loyal and committed in this regard and do not waste the opportunities that can lead the country towards development and ultimately betterment. Unfortunately, the relevant authorities have not been very much dedicated in this regard.

Ministry of Economy recently disclosed that work on 107 development projects which were financed from the national budget, were not started in last fiscal year. The ministry said work on 57 other projects was stopped due to different reasons in the same year. Suhrah Bahman, spokesman for the Ministry said in a statement, "Documents and study of projects are not accurate therefore when they come to procurement phase, they face problems. They are rejected and it takes time to prepare the documents, complete the studies and then re-start the projects..."

There are other problems such as lack of capacity or influence of powerful figures which affect the implementation of national projects. "This situation is really tragic and shows the level of reluctance, lack of potential and corruption on the part of relevant authorities and institutions to perform their duties and achieve the targets that are set for the growth and development of the country as a whole.

Afghanistan, as a matter of fact, has failed to deliver maximum at times when the development is required the most and, in the process, has also lost some golden opportunities. Corruption has been lethal enough to annihilate the efforts or the plans to reconstruct the country and the different systems that may set it on the way to development. It should be noted that billions of dollars poured in the country for both military support and development projects. But if we analyze the socio-political and socio-economic scenario in the country the development does not seem as great as it should have been.

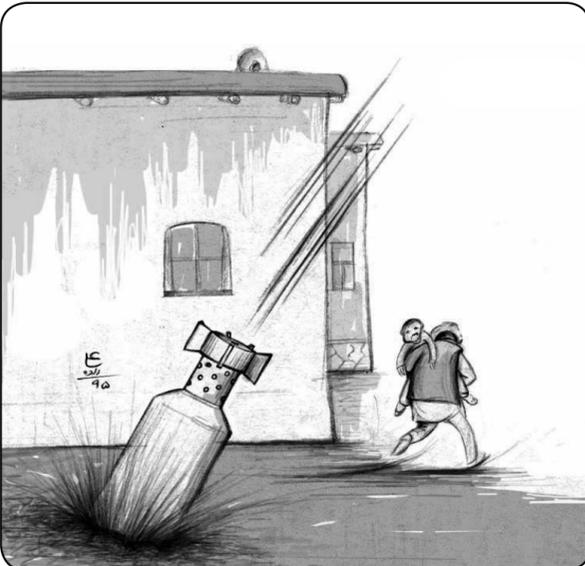
Most of these aids were devoured by corruption instead of being spent for the intended purposes. Either the money that was to be spent through government or the NGO sector, both the ways corruption had the largest share.

Afghanistan is ranked as one of the most corrupt countries in the world. This is really tragic and shows that no considerable work has been done against corruption though it has been highlighted as a major problem throughout the last decade. And, it has had negative influences as well; particularly in the top governmental institutions. Corruption not only dominated the elections but also haunted the Kabul Bank and brought bad name to the nation and at the same time financial loss; however, it has been left to dominate with vigor and strength. It has, in fact, victimized our society more than terrorism and insecurity and today if Afghanistan is not able to stand on its own, it is also because of the corruption. In addition to this tragic situation, National Unity Government (NUG) has failed to deliver on their promises to carryout development work or fight corruption in the country.

With the change in government, there were some hopes that the situation would get better as NUG, in its early days, promised to handle corruption with iron fists; however, that does not seem to be happening even after years have passed. Many development projects are in limbo and there are concerns being raised by international organizations that assistance fund and support in Afghanistan are not being used for their intended purposes. There seems to be no doubt in the fact that one of the basic reasons of the persistent rise in corruption in Afghanistan is the lack of commitment and honest efforts to control and eradicate this menace. Neither the previous government, nor the current government has shown real efforts to face it seriously.

Therefore, the serpent has survived and has become reckless and out of control. It is a real challenge now for the Afghan government to stand against it. However, a solid and dedicated effort against it can make a difference. It is not altogether impossible to defeat it. Definitely, strict measures are required, temperaments would be tested, institutions would be questioned, the powerful would have to be threatened, and more responsible attitude would be expected from all the people; in short, the whole mechanism would be shaken if there are real and honest efforts. And, it should be noted that there is no alternative for Afghanistan.

The way it is going on leads to chaos and instability. If it has to achieve development and complete the development goals, it must decide now and act accordingly.



Political System is a Dynamic Phenomenon

By Dilawar Sherzai

From the very earlier states the nature of political systems was not the same as they are today. Throughout the history of statehood, human beings have experienced different sorts of systems and setups. From monarchy to today's modern democracy, there have been myriads of political systems and political practices. The only common thing among them is that they keep on changing. Though some may take a longer time to change but ultimately they have to change as they do not have any other option. A political system is established within a state so as to safeguard the rights of its people and solve the socio-political issues that may hamper the better life opportunities. If a system fulfills the challenges and solves the problems that may erupt within a state, the system is said to be an ideal system. However, it is not possible to have an ideal system in practice but something near it may be achieved with the help of political prudence and continuous efforts. Moreover, it must never be forgotten that a political setup is a dynamic phenomenon; there have to be changes within the system so as to compensate for the ever-changing nature of human society.

There may be various reasons of changes within a political system. One of the basic reasons is that the human societies evolve, giving birth to new changes which give rise to new challenges. To overcome those changes the systems have to introduce changes. The need for changes may also arise when the system is not on the track to stability and fails to address the basic problems of the people. In other words it can be said that the perceived dissatisfaction from a system is directly proportional to the demands in change.

The great political and social changes in the history of mankind have their roots in the same phenomenon. It can also be said that the standard of living of the subjects and their perceived satisfaction of socio-political scenario is one of the best ways of gauging the effectiveness of a political system.

There are two ways of introducing changes within a system. The first one is through amendments, i.e. bringing about necessary changes within the present system while keeping the basic nature of the system intact. Most of the changes within democratic systems take place through the same process. One of the qualities of democratic systems is that they keep on inviting changes. Moreover the democratic system proceeds in such a way that the changes become inevitable. The example of elections within a democracy is one of the most important processes in this regard. The elections guarantee government change after every specific period of time. If elections are held regularly the system keeps on moving ahead.

On the other hand, there can be changes within the overall system that actually tend to change the basic nature of the system. Such a change is basically referred to as a 'system change' and is brought about by a revolution or a military coup. For example, if a system changes from a democracy to a dictatorship or from Capitalism to Socialism, it will be a 'system change'. The change in system becomes inevitable when all the possibilities of chang-

es within a system are lost. The people start suffocating so much that they start demanding for a change in the entire system. Meanwhile, it should be mentioned that most of the revolutions are not very much peaceful and they involve blood-shed. Amendments within a system are very much normal and there should not be a very strict stand on these sort of changes within a system because it would bring a society to a halt and would hamper its natural growth. Moreover, a democratic system is always a dynamic system and keeps on checking the possibilities of positive changes. It is the characteristic of a dictatorial government that dislikes changes and strives to maintain the status quo. The dictatorial systems are also characterized by being personality centered. The changes within the system are highly dependent on the personality of the ruler. Moreover, as there is no concept of regular elections in most of the dictatorial systems they do not guarantee frequent changes and the rule of the leader may last for many years.

The great democracies in the world have acquired their mature systems after many years of evolution. Changing from very immature and preliminary stages they have reached to today's position where they have been able to address most of the problems of their people. Their example is great guidance for the authorities in our country if they are really interested in establishing a strong political system and a reliable infra-structure upon which the future political setup can be built. Nevertheless, for that they have to give a great sacrifice and that is the sacrifice of their personal gains for the betterment of the majority of the people.

Currently, Afghan political setup does not seem to be compensating for the growing demands of time and has basic problems that do not let the system represent all the people within the Afghan society appropriately, especially the poor masses. At the same time, the current setup does not let the people out of troubles that they face. No doubt, we cannot expect Afghanistan to have a well-developed system as the democratic history in Afghanistan is very short, yet it must never be forgotten that in order to have a better system, changes have to be brought continuously as per the demands. There are many concerns about the political development in Afghanistan; the most important among them is the development of political institutions. Afghanistan, in this regard, has been suffering much. The Afghan society is basically a very diverse society; people from different ethnic backgrounds live here. A democratic system, truly representing people is best suited for the country; however, the development of political institutions is pivotal in this regard. In great modern democracies, it is the well-established democracies that run the state, establish order and provide the people their basic requirements. Afghan politicians, political parties and civil society members can all work together to guide the country towards the same sort of democracy; all they require is commitment and dedication.

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Economists in Denial

By Robert Skidelsky

Early last month, Andy Haldane, Chief Economist at the Bank of England, blamed "irrational behavior" for the failure of the BoE's recent forecasting models. The failure to spot this irrationality had led policymakers to forecast that the British economy would slow in the wake of last June's Brexit referendum. Instead, British consumers have been on a heedless spending spree since the vote to leave the European Union; and, no less illogically, construction, manufacturing, and services have recovered.

Haldane offers no explanation for this burst of irrational behavior. Nor can he: to him, irrationality simply means behavior that is inconsistent with the forecasts derived from the BoE's model.

It's not just Haldane or the BoE. What mainstream economists mean by rational behavior is not what you or I mean. In ordinary language, rational behavior is that which is reasonable under the circumstances. But in the rarefied world of neoclassical forecasting models, it means that people, equipped with detailed knowledge of themselves, their surroundings, and the future they face, act optimally to achieve their goals. That is, to act rationally is to act in a manner consistent with economists' models of rational behavior. Faced with contrary behavior, the economist reacts like the tailor who blames the customer for not fitting their newly tailored suit. Yet the curious fact is that forecasts based on wildly unrealistic premises and assumptions may be perfectly seeable in many situations. The reason is that most people are creatures of habit. Because their preferences and circumstances don't in fact shift from day to day, and because they do try to get the best bargain when they shop around, their behavior will exhibit a high degree of regularity.

This makes it predictable. You don't need much economics to know that if the price of your preferred brand of toothpaste goes up, you are more likely to switch to a cheaper brand.

Central banks' forecasting models essentially use the same logic. For example, the BoE (correctly) predicted a fall in the sterling exchange rate following the Brexit vote. This would cause prices to rise - and therefore consumer spending to slow. Haldane still believes this will happen; the BoE's mistake was more a matter of "timing" than of logic. This is equivalent to saying that the Brexit vote changed nothing fundamental. People would go on behaving exactly as the model assumed, only with a different set of prices. But any prediction based on recurring patterns of behavior will fail when something genuinely new happens.

Non-routine change causes behavior to become non-routine. But non-routine does not mean irrational. It means, in economics-speak, that the parameters have shifted. The assurance that tomorrow will be much like today has vanished. Our models of quantifiable risk fail when faced with radical uncertainty.

The BoE conceded that Brexit would create a period of uncertainty, which would be bad for business. But the new situation created by Brexit was actually very different from what policymakers, their ears attuned almost entirely to the City of London, expected.

Instead of feeling worse off (as "rationally" they should), most "Leave" voters believe they will be better off.

Justified or not, the important fact about such sentiment is that it exists. In 1940, immediately after the fall of France to the Germans, the economist John Maynard Keynes wrote to a correspondent: "Speaking for myself I now feel completely confident for the first time that we will win the war." Likewise, many Brits are now more confident about the future.

This, then, is the problem - which Haldane glimpsed but could not admit - with the BoE's forecasting models. The important things affecting economies take place outside the self-contained limits of economic models. That is why macroeconomic forecasts end up on the rocks when the sea is not completely flat.

The challenge is to develop macroeconomic models that can work in stormy conditions: models that incorporate radical uncertainty and therefore a high degree of unpredictability in human behavior.

Keynes's economics was about the logic of choice under uncertainty. He wanted to extend the idea of economic rationality to include behavior in the face of radical uncertainty, when we face not just unknowns, but unknowable unknowns. This of course has much severer implications for policy than a world in which we can reasonably expect the future to be much like the past.

There have been a few scattered attempts to meet the challenge. In their 2011 book *Beyond Mechanical Markets*, the economists Roman Frydman of New York University and Michael Goldberg of the University of New Hampshire argued powerfully that economists' models should try to "incorporate psychological factors without presuming that market participants behave irrationally." Proposing an alternative approach to economic modeling that they call "imperfect knowledge economics," they urge their colleagues to refrain from offering "sharp predictions" and argue that policymakers should rely on "guidance ranges," based on historical benchmarks, to counter "excessive" swings in asset prices. The Russian mathematician Vladimir Masch has produced an ingenious scheme of "Risk-Constrained Optimization," which makes explicit allowance for the existence of a "zone of uncertainty." Economics should offer "very approximate guesstimates," requiring "only modest amounts of modeling and computational effort." But such efforts to incorporate radical uncertainty into economic models, valiant though they are, suffer from the impossible dream of taming ambiguity with math and (in Masch's case) with computer science. Haldane, too, seems to put his faith in larger data sets. Keynes, for his part, didn't think this way at all. He wanted an economics that would give full scope for judgment, enriched not only by mathematics and statistics, but also by ethics, philosophy, politics, and history - subjects dropped from contemporary economists' training, leaving a mathematical and computational skeleton. To offer meaningful descriptions of the world, economists, he often said, must be well educated. (Courtesy Project Syndicate)

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