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Natural bedfellows: corruption, criminality and the failure of international reconstruction. A case study of the Kabul Bank

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ABSTRACT
Corruption remains a persistent feature in most transitional and fragile countries, raising questions around the processes and outcomes of international development and economic reforms. In the case of Afghanistan, conventional wisdom tends to blame domestic factors, including corruption, in the collapse of the internationally-backed Islamic Republic of Afghanistan, while largely neglecting the co-constitutive nexus between economic reconstruction, criminality, and political authority. Combining the political marketplace framework with a network analysis, this paper traces how a corrupt network formed around the Kabul Bank, grew and metastasised by leveraging neo-liberal and technocratic economic reform policies, and thus, gravely undermined the country's governance and stability. By doing so, it argues that international reconstruction practices and resources reconfigured power in Afghanistan, and helped create a governance system governed by the logic of a criminalised political marketplace. The paper also demonstrates the utility of a political marketplace lens in explaining evolving political dynamics, with a network analysis to generate deeper insights into the complex interactions between the local and global dynamics that produce criminality, corruption, and state capture.

KEYWORDS
Post-conflict reconstruction; corruption; criminal networks; Afghanistan; political economy

Introduction

Since the end of the Cold War, international interventions aimed at fostering sustainable, post-war transitions have repeatedly failed to meet their intended outcomes, or to replicate the success of the post-World War II, US-led Marshall reconstruction plan. In Afghanistan, the rapid collapse of the democratically-elected Islamic Republic of Afghanistan and the Taliban's military takeover in August 2021 followed one of the most well-resourced and extensive international post-war reconstruction efforts in recent times. Similarly, states like Iraq, Libya, Sudan and Somalia – or even Bosnia and Kosovo continue to struggle with corruption, instability and turbulence despite substantial international investments aimed at strengthening democratic institutions, market economies and civil society. Prevailing narratives tend to discredit state-building efforts as misaligned with local values and patterns of governance,[1] and to focus analyses on the

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shortcomings of externally-driven democratisation, stabilisation and civil society efforts.[2] Less attention, however, has centred on economic reconstruction and reform efforts, particularly the role played by financial liberalisation in generating the kind of systemic (and transnational) corruption that perpetuates instability, weakness and volatility.

The scale and size of the Afghanistan and Iraq interventions may not be replicated in the near future, but learning lessons from their failures remains important. International development interventions continue in various forms in increasingly weak contexts, including many middle-income countries,[3] where a growing trend of corruption and criminality is destabilising countries as diverse as Lebanon, Guatemala, Pakistan, and Brazil. The persistence of corruption in impeding progress raises questions around the broader processes and outcomes of international development and economic reforms. The economics literature on the study of corruption predominantly focuses on its impacts on economic growth, and demonstrates how it deepens inequalities and narrows economic development benefits.[4] Other economists, however, state that its effects vary depending on context, with some arguing that it can 'grease the wheels', increase market efficiencies and stimulate economic growth in countries with weak and ineffective state bureaucracies.[5]

Recent research examining the complexities of corruption and its impact on governance and development, especially in weak contexts, reveals its pervasive and systemic nature across institutions and governance structures.[6] This literature emphasises the importance of considering the historical, political and economic contexts that shape corruption, including more specific forms like state capture, where private interests infiltrate public decision-making, distorting policies and undermining institutions.[7] Scholars like Sarah Chayes emphasise the rise of criminalised networks with global and transnational links that penetrate the state, partially or wholly capturing it in the process, across a number of countries.[8] Alex de Waal's concept of the political marketplace demonstrates how corruption, external rents – licit and illicit – and criminalised politics are increasingly at the centre of political organisation in many societies, with varying levels of volatility and turbulence.[9]

Building on this literature, this paper traces the failures of international reconstruction in Afghanistan to the criminalised political marketplace that donor policies and practices helped to create in post-2001 Afghanistan. This marketplace drove the corruption and insecurity that crippled the Republic, fuelled the Taliban insurgency, and ultimately contributed to the Republic's collapse. Through an examination of the Kabul Bank crisis of 2010, this paper explores the nexus between international reconstruction and reform, il/licit networks, external rents, and the criminalisation of Afghan politics. It demonstrates how a small number of businessmen leveraged the international reconstruction effort to forge corrupt networks through the country's largest private bank, the Kabul Bank, in order to consolidate economic power among a narrow elite and drive political decision-making in the country, even as it appeared to threaten the sustainability and survival of the state. In fact, the Kabul Bank became the financial locus of Afghanistan's criminalised marketplace, acting as the banker of record for a complex web involving members of the then-President Karzai's inner circle, politicians, criminals, warlords, and businessmen at the heart of Afghanistan's new political and economic order.[10] The limited accountability and recourse in its aftermath and the continued impunity of its main protagonists across both the Karzai and Ghani governments, despite the high political costs involved for domestic and international elites, demonstrates the extent to which criminal networks had co-opted formal political and government structures, often abetted by international development practices and resources. In a globalised context like Afghanistan, the paper shows how domestic and international actors became bound by the logic of a criminalised political marketplace, with limited options for reform and accountability.

I elaborate this argument by tracing the emergence of the most politically-connected network of business elites in Afghanistan and the mechanisms through which they were able to effectively subvert both state-building and economic reconstruction. A network lens helps to identify the actors, structures and interests that came together, the range of resources and structures on which networks draw to leverage power and influence, and the incentives and opportunities that enabled them to subvert private sector development and corrupt the state. The case of Kabul Bank was selected because the publicness of its scandal reveals core elements of Afghanistan's political marketplace, how it operated, and how it was shaped by complex interactions between external and local dynamics and economic reforms and reconstruction processes.

This paper draws on theories of elite bargains in rentier states and applies Alex de Waal's political marketplace framework to examine the interplay between rents, patronage, and political authority under conditions of international intervention and globalisation. It adds to the literature on rent-seeking by focusing on market players and diaspora actors in financial markets as well as state actors. Recent shifts to political economy analyses, away from liberal-institutionalist analysis, prove useful in drawing attention to the actors, relationships, incentives, and constraints that govern bargaining processes, particularly as they relate to the political economy of international intervention, development, and peacebuilding.[11] A growing body of research emphasise continuities from war-time structures, tracing how they are re-shaped by reconstruction policies, creating new power centres, governed by their own political and economic logic.[12]

The article draws on extensive documentary analysis, more than 40 in-depth interviews,[13] and extensive fieldwork in Afghanistan conducted between 2009 and 2012 with additional interviews between 2019 and 2021. The first section provides an overview of the political marketplace framework and its utility in understanding the interplay of international intervention policies, criminality, and political authority. The second section provides a snapshot of the key features of Afghanistan's political marketplace that emerged during the international intervention. The third and fourth sections trace the story of the Kabul Bank network, from the bank's emergence to its near-collapse and aftermath, before the conclusion draws out the paper's main implications.

Reconstruction and the political marketplace

Any explanation of complex social realities, such as the criminalisation of politics, can rarely be boiled down to a single organising logic or root cause. Alex de Waal's concept of the *political marketplace* provides a useful framework for understanding the operations of the Kabul Bank network and its effects on governance because it places at the centre of its analysis the role that money, influence, and networks play in shaping the realities of politics under the conditions of international intervention, especially economic liberalisation policies and practices, in a globalised economy.[14]

Similar to North et al.s' 'limited access order',[15] it highlights the relationship between violence, order/disorder, and material interests. Similar to any market, the political marketplace comprises the mechanisms of supply and demand. It is a governance system, dominated by patronage and rent-seeking, that consists of the 'exchange of services and rewards, loyalty and money, for prices that are set by the principles of supply and demand'.[16] In this system, actors – formal and informal, central and peripheral, local and international – engage in transactional bargaining driven by a market logic rather than formal rules and institutions. The most successful are those who renegotiate the terms of the market through access to extensive amounts of finance and/or instruments of violence.[17]

The stability or volatility of any political marketplace is dependent on the source of political finance – external, domestic, licit, or illicit rents – and the organisation of violence – centralised or decentralised. In this framework, one of the key elements driving politics, including peace and conflict, is political finance and how it is derived.[18] A central dynamic is the relationship between the political budget – the discretionary funds available to the ruler – and the price of loyalty, the 'prevailing market rate' for ensuring cooperation among competing elites. International interventions greatly affect bargaining processes in rentier political marketplaces: for example, military and financial support to central state elites can lower the price of loyalty, thus decreasing the need to negotiate with peripheral elites. Conversely, when these same resources circumvent the state and are redirected to peripheral elites, they artificially inflate the costs of buying loyalty. Similarly, in cases where international assistance channelled through on-budget support, with better processes of accountability and public financial management, the political budget may be obtained through rents from government contracting, selling profitable government positions, rent-seeking domestic businessmen, or transnational criminality.

The global context is crucial for understanding the political economy of post-conflict reconstruction and the logic and operations of contemporary political marketplaces. The framework can be seen as an updated, globally integrated form of patrimonial politics since these markets are incorporated in global and regional finance circuits through externally-derived rents and sources of finance. De Waal argues that contemporary political marketplaces are also a product of neoliberal policies, such as deregulation and monetisation of the provision of public goods, including security.[19]

Applying this lens accounts for some limitations with neo-liberal models of state-building and analyses, which operate through a particular understanding of normative relationships between state, society, and the people, and the kind of institutions able to resolve the dynamics of conflict and underdevelopment in perpetuating cycles of violence.[20] Indeed, state-building policies and practices have been widely criticised for their apolitical and overly technical orientations,[21] despite being 'fundamentally about the distribution, production and transformation of political and economic power'.[22] Similarly, economic reconstruction efforts that insist on neo-liberal reforms, such as market deregulation, privatisation, and trade liberalisation, without accounting for continuing wartime structures and economies in the post-conflict phase, feed corruption and weaken state and societal capacity to mobilise resources and regulate shadow economies.[23] Research also shows how banking crises are frequent in fragile contexts, as in Mozambique and Liberia where powerful actors or politically-connected businessmen own banks.[24] Privatisation efforts in fragile states and post-conflict operations in Bosnia and Mozambique generated opportunities for corruption and the capture of enterprises by those who accumulated wealth and power during war, expanding it in subsequent peacebuilding process.[25] Similarly, in Afghanistan, early research highlighted how neo-liberal, market-oriented donor policies reproduced aspects of the war economy and further narrowed the distribution of the benefits of growth.[26]

Post-2001 Afghanistan: patronage politics, rents, and networks

The rentier nature of the 2001–2021 Afghan political marketplace was intimately linked to the emergence of fragile elite coalitions that benefited largely from international aid, security assistance and donor-led neoliberal reforms. Since 2002, the Afghan political landscape became increasingly dominated by competition and conflict between key power networks that cut across diverse ethnic and factional affiliations. Research highlights the role of external resources in shaping, modifying, and facilitating these power networks[27]; and restructuring relations between central and peripheral elites and structures.[28] Within these networks, old and new political forces reconfigured the new democratic and economic structures put in place after the Bonn Agreement, and found new ways to accumulate wealth and influence, often exercising predatory power through formal and informal institutions. Ashley Jackson and Giulia Minoia emphasise that the 2001 intervention radically empowered a new set of armed actors, many of whom had little traditional claim to the power and influence they wielded.[29] Vast amounts of security assistance circumvented the state, further transforming patron-client relations, and narrowed patronage networks around the new sources of financing provided by international reconstruction efforts.[30] This situation fostered the creation of a 'rentier state',[31] leading to a neo-patrimonial form of governance that, in turn, incited additional violence.[32]

While contemporary corruption builds on prior patronage practices, 'the level of monetisation of everyday relationships' rose sharply during the post-2001 reconstruction effort.[33] While patron-client relationships have long shaped politics in pre-conflict Afghanistan,[34] extreme levels of violence and external resources shifted local power from traditional leaders to strongmen with networks of armed men and increased their autonomy from the state and broader society during the war years.[35] In the initial years of the intervention, corruption was not high on the international agenda and often dismissed in policy circles as a manageable transitional phase. Many also viewed it as reflecting realities on the ground that worked 'with the grain' of society, while enabling a sort of trickle-down economics.[36] A recent study, however, argues that dominant definitional frameworks of corruption do not capture the magnitude and systemic nature of corruption in post-2001 Afghanistan. Drawing on the literature of neo-patrimonialism, Mehran shows how inclusion of warlords in the post-2001 institution-building effort came 'with the expectation that warlords will turn into democratic bureaucrats' but instead, they shaped a neo-patrimonial order where institutions became marketable commodities and patronage networks dominated governance and service delivery.[37] It found that some of these networks delivered services within network but excluded others, creating new dynamics of marginalisation and exclusion.[38] And while traditional patterns of affiliation persisted, the monetisation of patronage meant that financial incentives often cut across ethnic and factional patronage networks while also creating more complex, informal, transnational and less hierarchical relations, alliances, and flows of resources.[39]

The logic of a decentralised and rentier political marketplace was central to shaping then-President Karzai's strategies for power and political survival, with implications for the nature of governance and security in the country. Literature on Afghanistan explores how institutional design choices and the disbursement of aid rents undermined Karzai's efforts to centralise and bureaucratise, and ultimately fuelled his neo-patrimonial style of governance.[40] The political settlement created at Bonn in 2001, paired with the US decision to limit the expansion of NATO forces beyond Kabul in 2002 and the international one to adopt a 'light footprint approach'[41]–while continuing to rely on local armed actors for counter-terror purposes – placed the dynamics of the political marketplace at the centre of state-periphery relations. In Afghanistan, previous patterns of political rule and stability were dependent on external financing and the skilful management of patron-client relations.[42] The highly centralised system of governance and powers vested in the Presidency made presidential patronage through power of appointments a central feature of Afghan politics, while continued external assistance from outside government increased the 'price of loyalty' of armed actors. Most security-related and development assistance remained off-budget, and authorities had limited control over aid flows.[43] As the insurgency reconstituted and violence increased, US and international troop levels and assistance grew into one of the most heavily-resourced international interventions. The US intensified its practice of direct payments to sub-national elites, making the political marketplace more competitive, inflating the price of loyalty, and compelling Karzai to seek alternative sources of political finance for loyalty payments.

Expert Antonio Giustozzi explains how President Karzai's strategy evolved over time as he lacked the coercive and financial power to directly confront the warlords and diminish their powerbase at the expense of institution-building. Karzai initially partnered with a circle of technocrats and reformists and engaged in a 'steady confrontation with the main warlords, trying to limit the warlords' power and increase their own'.[44] But his confrontational strategies in the early years proved futile given the warlords' continued security relationships with external actors, including US patrons such as the Central Intelligence Agency, who supplied warlords and strongmen considerable funds. Without political support from his external patrons, he adopted a style of patronage politics, typical of the way power is exercised in institutionally-weak states with a history of patrimonialism and conflict. Because a heavily earmarked state budget[45] meant Karzai had limited discretionary funding for his political budget, he used control over appointments to try to control these various power bases. He appointed key personalities to sit at the centre of these networks as governors, ministers, and other key positions to solidify bargains, only to remove or reshuffle them when he perceived a challenge to his power. With provincial-level appointments estimated to have gone for $50,000 to $100,000 in 2010, the acquisition of political positions provided access to internal revenue sources and business opportunities.[46] The emergence of the President's brother, Ahmad Wali Karzai, as a dominant powerbroker in Kandahar, for example, was reportedly faciliated by his ability to influence commercial dealings in the region.[47]

Afghanistan's reintegration into regional and global circuits of political finance, as part of its economic recovery, had the effect of providing unfettered access for corrupt financial flows to banks and property markets in global safe havens, enabling high levels of capital flight and stripping the country further of its resources. At the same time, the collusive nature of conflict meant these financial flows also helped finance the insurgency.[48] In Afghanistan, illicit and licit trade and financial flows linked state, criminal, drugs, and even insurgent elements across borders, generating new forms of corrupt patronage.[49] These transnational networks connected a range of public and private actors and institutions for patronage, protection, power, and profit,[50] and had been built around drugs, international reconstruction and security assistance, and the banking system, the latter of which is explored in this paper. A U.S. congressional study, for example, found that U.S. military logistics contracting funnelled millions of dollars to strongmen, corrupt officials and even Taliban to ensure safe passage of supply convoys.[51] According to Sarah Chayes,

> Afghanistan's conflict networks changed dramatically, from local warlord-ism centred around control of border crossings and local trade routes in the 1980s and early 1990s, to a transnational conglomerate, able to move several billion dollars out of the country on behalf of kleptocratic leaders. Prominent among those kleptocrats were returning diaspora members, who used their positions in government to accumulate funds to invest abroad, in Dubai, North America and Europe. These individuals often enjoyed the trust of Western governmental patrons.[52]

Karzai's strategy to capture these resources to augment his political budget, especially in advance of the next presidential elections in 2009, resulted in these networks obtaining a licence to plunder, while enjoying political protection. By then, NATO officials had already begun to describe the country's governance and security challenge in terms of 'criminal patronage networks' – the web of connections between members of the Karzai circle, businessmen, warlords, corrupt officials, and Taliban commanders – played in subverting state institutions, international aid, and the counterterrorism effort, thus, driving conflict, grievance and insurgent recruitment.[53] With money flowing upwards, the result was a system that selected for criminality,[54] narrowed the distribution of benefits, and, as the Kabul Bank case demonstrated, drove much of political decision-making in the country.

The story of Kabul bank

> Corruption is not just a problem…it is the system of governance… .we have mafia networks…[that] begin with the financial banking system, with corruption networks, with reconstruction and security firms and also with drugs and with Taliban; they are in parliament and they are in government.[55]
>
> Spanta Afghanistan's National Security Advisor 2010

In 2010, then-National Security Advisor Rangin Dadfar Spanta highlighted how the various networks underpinning Afghanistan's political marketplace were capturing key resources as well as the formal business of government. His statement came as the Kabul Bank scandal broke and revealed not only the number of actors and institutions engaged in corruption but also how politics and money in the country intermingled and connected with the global economy. By 2010, Kabul Bank had emerged as a central source of criminalised political finance for President Karzai and an array of powerful powerbrokers across formal and informal spheres. Its high-profile shareholders had stakes in banking and other sectors representing 'ideal-type sources for political finance'[56] such as gas and oil, construction and security-related firms. Kabul bank operated unchecked for years, protected by President Karzai's circle, financing his political alliances and his 2009 election campaign while also benefitting and buying off the top echelons of competing networks across Afghanistan's political and economic structures.

In essence, Kabul Bank functioned as a financing network underwritten by international aid and poor Afghan depositors. It linked together the Afghan political-military, criminal and economic elites around the narrow networks extending from the Karzai and Fahim circles for power, profit and protection. It operated as an elaborate Ponzi scheme with new deposits funding unsecured – and mainly illegal – loans to the powerful. According to a report issued by the Independent Joint Anti-Corruption Monitoring and Evaluation Committee on the bank's collapse in 2012, the controlling shareholders, key supervisors, and managers engaged in criminal activities led a sophisticated fraudulent lending and embezzlement operation, fabricating documents and financial statements to satisfy regulators.[57] At the same time, they smuggled money out of the country via airline employees and electronic transfers to off-shore accounts in Dubai through the Shaheen Money Exchange, a *hawala* owned by the bank's CEO.[58] Other funds misappropriated through non-loan disbursements included excessive expenses, investments in related businesses, fake capital injections, salaries paid to ghost employees, and political contributions.[59] Most importantly, the main protagonists created and expanded a system of bribes across the country's nascent institutions including parliament, regulatory and private sector institutions and sub-national governance structures.[60]

Although corruption became ubiquitous under the Karzai period, it did not happen overnight. In the section below this paper traces the emergence of a network in and around the Kabul Bank that deepened the monetisation and criminalisation of the Afghan political marketplace. It highlights some of the key individuals in this network's formation, the role played by their backgrounds in creating the network, and the political-financial alliances they forged across ethnic and geographical divides – formal and informal, public and private, as well as licit and illicit power structures. It demonstrates how, through the network, these actors managed to effectively capture economic reconstruction and reform, and in that process distorted market competition and subverted governance and development assistance while shaping Karzai's strategies for power and authority.

The main protagonists of the Kabul Bank scandal

The coming together of well-connected diaspora members with older mujahedeen networks proved a potent and ultimately explosive combination in the case of Kabul Bank.[61] It brought together the financial resources, know-how, and global business connections of expatriates with the political and military power of warlords and commanders. Over time, this network increasingly aligned itself with Karzai and his close circle of allies for protection and patronage, and in exchange gave his administration material and political support. Local analysts described them as an emergent 'political and economic mafia', able to undermine and defy the country's regulatory and anti-corruption monitoring bodies, intimidate and drive out competitors, and retard economic development by leveraging access to international resources and actors and exploiting opportunities provided by the international aid complex.[62]

In 2004, two businessmen founded the Kabul Bank with backgrounds in smuggling and criminal activity in the pre-2001 conflicts: Sherkhan Farnoud as Chairman and Khalillulah Ferozi as CEO.[63] Dubai-based Farnoud had been a former world-renowned poker player and businessman running the Shaheen Money Exchange[64] a *hawala* used to transfer money between Afghanistan and Dubai; he previously fled Moscow to avoid arrest for money laundering charges.[65] He returned to Afghanistan and two years later founded the bank with an initial investment of $5 million despite an active arrest warrant and lack of banking experience – both violations of Afghanistan's banking law.[66] With limited relationships to mujahedeen networks, Sherkhan initially hired Ferozi as the bank's director of security to provide muscle, contract-enforcement and connections to northern commander networks before making him CEO.[67] In a leaked cable, a U.S. official explained in 2010 how Ferozi was 'not considered a competent banker but [was] widely respected as an effective – and ruthless – businessman'.[68] Prior to the intervention, Ferozi had worked as financier for the legendary Northern Alliance leader Ahmad Shah Massoud, laundering the proceeds of illegal gems traded to print Afghan currency in Russia. After 2001 he re-invented himself as a legitimate businessman after setting up a private security company out of the rapid UN-sponsored disarmament demobilisation and reintegration (DDR) process.[69]

As the bank began to grow through legally questionable practices such as lottery accounts to entice Afghan depositors,[70] Sherkhan and Farnoud began to use the bank to make alliances with key elites in the political and business worlds, most importantly, the brothers of President Karzai and First Vice President Marshal Fahim. An Afghan analyst interviewed in 2010 explained that 'they knew they had to be linked to the elites to become successful businessmen'.[71]

They forged their first more substantial partnership with Hassin Fahim, facilitated by their shared backgrounds in mujahedeen networks.[72] Hassin's wealth represented the political and economic order in which businesses had to affiliate with powerful state patrons and warlords to prosper.[73] His half-brother, First Vice President Marshal Fahim, was the de-facto head of Shura-e Nazar, the Panjshiri mujahedeen group which benefitted majorly from the Bonn political settlement. As a U.S. ally against the Taliban, Marshal Fahim received a position in the 2002 transitional government as Minister of Defence, which enabled him to pack Afghan security institutions with his network of loyalists. According to Giustozzi, Fahim stood out as the most important warlord vis-à-vis the state'[74] by 2003. He profited from his ministerial position to grant patronage and protection particularly from the illegal distribution of government lands in an expensive district of Kabul.[75] President Karzai removed him from office in 2002, reducing his political influence and power, but the wealth he had accumulated allowed him to expand control over northern Afghanistan's business world and maintain his loyal patronage networks within the ministry.

Similar to other transitional contexts, neoliberal economic reforms pressing rapid and poorly managed privatisation and liberalisation created opportunities for corruption and aid diversion in the private sector, leading to the creation of a narrow political-economic elite.[76] In 2002 and 2003, Hassin allegedly used his brother's political influence and patronage power to secure business deals and partnerships to buy privatised government lands and obtain lucrative government contracts, allowing him to consolidate his influence over business life in the northeast and much of Kabul.[77] He gained major real-estate interests in Kabul and owned the Zahid Walid Group, a fuel trucking and construction conglomerate which included the fuel distribution Gas Group, a construction and cement factory, and the Aria Turk Construction Company.[78]

In contrast, Mahmood Karzai represented a class of western émigrés who championed the country's economic transformation to a free-market economy and gained from the international reconstruction effort. As a U.S. citizen and restauranteur, he spent the initial years of the intervention assembling a network of émigré businessmen in the US and in the UAE while making connections in U.S. government through his advocacy for free markets, privatisation and private enterprise.[79] In the first year of the U.S. intervention, he set up Afghanistan's first private market-oriented business association, the Afghan International Chamber of Commerce (AICC), and won a $6 million USAID contract.[80] His companies reportedly received more than $5 million from the Overseas Private Investment Corporation (OPIC), the U.S. development finance corporation whose mission is to finance projects abroad to help spur growth while furthering U.S. foreign policy goals. According to *The New York Times,* OPIC provided him financing for real-estate development projects in Kabul and Kandahar on government land that he acquired controversially and virtually free.[81] Over time, he built a business empire with major interests in real estate, four coal mines, a cement factory, and the country's only Toyota distributorship thanks to his involvement in Kabul Bank and his ability to exploit connections in Washington and Kabul.[82]

The alliance between Mahmood Karzai and Fahim, Ferozi and Farnoud reportedly began in 2005 when Mahmood brought in Fahim as a co-owner of the newly formed Afghan Investment Company (AIC). They consolidated their partnership in 2006 after Kabul Bank lent Mahmood seven million to purchase a seven percent share of the bank as well as lent the AIC $14 million in order to purchase state-owned cement factories in Baghlan province in one of the first internationally-mandated privatisation sales of state assets.[83] In return, he appointed Farnoud and Ferozi to AIC's board. Although Mahmood and Fahim appeared to stand for opposing visions of the Afghan economy and came from competing political camps, their alliance was motivated by a mix of financial and political interests. For Fahim, his alliance with Mahmood could secure favour with the Karzai administration and its attendant economic benefits. Mahmood's involvement in Kabul Bank transformed him into an extremely wealthy businessmen in the country while strengthening his family's political program through Fahim's wealth and patronage networks.

Subverting private sector development and consolidating political-financial alliances

As explored below, the Kabul Bank principals convened a small diverse group of powerful political and business actors through shared business ventures, control of the new chamber of commerce, and exerting political influence. They used Kabul Bank loans to forge strategic alliances among a narrow financial elite, strengthening their market shares in key sectors and bringing them into a political-financial alliance with the Karzai administration. According to the 2012 MEC report, 92 per cent of the bank's loans or $861 million were extended to just 19 individuals and businesses.[84] Former Central Bank Governor Fitrat singled out eight of the top 10 individuals that took the largest irregular loans as shareholders of Kabul Bank although the purchasing and running of Afghan businesses by bank officials and board members were illegal. Aside from the President's brother Mahmood, most were northern businessmen associated with Jamiati networks.

Mahmood's AIC – which attracted the investments of more than 80 leading Afghan businessmen at a meeting in Dubai in 2005—was used to coalesce businessmen in Afghanistan with the wealthy Dubai-based Afghan diaspora into a political and financial alliance with the Karzai administration. The AIC's initial goal was to acquire the state-owned Ghori and Karkar cement factories in Baghlan province in the first of a series of privatisation sales of state assets. Through political interference and Kabul Bank cash, the principals reportedly exploited the rush to privatise and acquired the cement factory and coal mines contract after bringing $25 million in cash to the auction, triggering a last-minute cash-sale government provision.[85] The U.S. Special Inspector General credits the sale of the Ghori cement factory as the beginning of the politicisation of privatising state assets and 'emblematic of much that went wrong with post-2001 private sector development'.[86] It found a number of irregularities in the sale including provisions in the tender document favouring the AIC bid as well as a series of political interventions in process by Mahmood Karzai, Hassin Fahim and even President Karzai.[87]

The same businessmen who received Kabul Bank loans and sat on Mahmoud's AIC also gained control of the country's most powerful business council the newly reconstituted Afghan Chamber of Commerce and Industries (ACCI). Before 2008, there were two competing chambers of commerce each with their own interests constituencies and competing donors. The first ACCI was the pre-existing body-a Soviet-era government-affiliated institution while the second body, the Afghanistan International Chamber of Commerce (AICC), was established by Mahmood Karzai in 2004 as a private market-oriented business association. European donors including Germany had originally envisioned a more active state role in economic development and supported the pre-existing body. This created tensions with the United States, which desired a new, independent and private-sector-led initiative and thus threw its support behind Mahmoud's AICC.[88]

In 2008, German and US donors reached a compromise and reformed the pre-existing chamber of commerce to match US desires including an elected leadership. Mahmood played a critical role in the reorganisation of this new chamber of commerce; he became its chairman in its first leadership elections in 2009 with Sherkhan elected first vice chairman – positions they held in the previous US-supported association. Control of the ACCI Board of Directors proved useful for winning the financial backing of businessmen for his brother's re-election campaign. The new ACCI became a powerful institution, helping to shape policies legislation and business practices while providing its members with important opportunities to network with high-level officials.[89]

Government and donor contracts: a vehicle for market distortion and power consolidation

An analysis of the loans Kabul Bank made and the strategic alliances created through shared business ventures across the financial elite suggests that the primary Kabul Bank shareholders intended to consolidate market power and create semi-monopolies in key economic sectors including banking, construction, security, oil and gas, aviation, mining and real estate through a variety of market-distorting practices. First, major shareholders ran groups of companies across multiple sectors which enabled them to manipulate prices and farm out contracts to each other. Second, they gained preferential access to contracts through political influence and with the help of Kabul Bank loans, possess the capital and cash for the necessary funds to win the contracts. Through ownership ties, the main Kabul Bank protagonists were involved in some form in nearly all the companies which received Kabul Bank loans. In addition to benefitting from preferential access to government and international contracts, they engaged in aggressive behaviour to drive out competitors including price manipulation and physical intimidation. Many companies in the Kabul Bank portfolio generated major profits but the reckless practices and poor business skills of the shareholders led to gross mismanagement, ultimately forcing many of their companies into bankruptcy. One U.S. official interviewed likened the group to 'carpetbaggers applying limited business acumen to take advantage of the financial situation'.[90] Even as the main protagonists sought to transform themselves into legitimate businessmen, they remained embedded and dependent on relationships that drew more upon political and criminal affiliations rather than competence.

In the financial sector, after securing the involvement of Mahmood and Hassin in 2006, Kabul Bank quickly became the country's largest private bank with branches in each of the nation's 34 provinces. The bank was awarded key international and government contracts including a staggering $75 million per month international contract to manage the payroll for all civil servants in Afghanistan. Another contract awarded the bank the management of $300 million in payments via the state-administered annual Hajj pilgrim service.[91] The bank's expansion plans accelerated after Karzai's successful re-election in 2009, ensuring its owners continued government support and contracts. According to a leaked 2010 U.S. embassy cable, Kabul Bank executives frequently discussed 'crushing' or 'destroying' rival banks even in private conversations with U.S. officials.[92] By 2010 the bank's owners could claim about 34 per cent of all assets in the Afghan banking system.[93] This represented a dramatic growth from just $138 million in March 2006 to approximately $586 million in total assets in March 2008 to nearly one billion in March 2010.[94] Had the Central Bank not intervened, Kabul Bank may have continued expanding despite being insolvent before the scandal broke in late 2010.

In the oil and fuels sector, companies with Kabul Bank loans became important aviation fuel suppliers for NATO and US military forces, receiving the vast majority of oil and gas contracts between 2006 and 2009 to supply the domestic market and foreign forces.[95] A 2009 investigative report shows 'while Zahid Walid has won close to $100 million in diesel contracts from the Afghan government there is hard evidence that the money for this once-needed fuel is now essentially being squandered'.[96] Gas Group, the subsidiary of Hassin's Zahid Walid Group, for example, faced numerous accusations of price manipulation. A local analyst interviewed suggested 'Gas Group destroyed its competitors by under-pricing the cost of gas only to increase the price once they accomplished their goal'.[97] Another company led by Abdul Ghazanfar 'also won a $17 million diesel supply contract in 2006–2007 followed by an astonishing $78 million in new contracts for 2008–2009'[98] after being brought into Kabul Bank as shareholder.

The attempt by the Kabul Bank to build a semi-monopoly in the airline industry is a particularly egregious example of corruption and incompetence. In 2008, Farnoud, Ferozi and Fahim purchased Pamir Airlines and sunk $98 million within two years in mostly unrecoverable Kabul Bank loans into the airline in an attempt to build market share through unsustainable practices such as discounted tickets. U.S. officials raised concern in a leaked cable about allegations that Pamir Airlines was illegally subsidising tickets with Kabul Bank's depositor money to drive out competitors.[99] Poor management and illegal practices led to the airline's licence being revoked in 2011 following an investigation that revealed that the registration of a Pamir plane involved in a crash that killed 44 passengers had been forged to avoid safety inspections.[100]

Defying regulators and undermining resource mobilisation

A number of Kabul Bank scandal reports attribute the ability of the network to defy regulations and subvert public policy – despite regular and special examinations between 2007 and 2010 by Central Bank officials – to several factors including, inter alia, a weak and nascent regulatory framework, limited supervisory capacity at the Central Bank, and overly technical donor assistance to Kabul Bank.[101] In addition to these factors, domestic regulators and their international counterparts were also unable and in some instances, unwilling to manage escalating intimidation, criminality and corruption by the scandal's protagonists.[102]

At the time of the Kabul Bank crisis, the Central Bank was suffering from a lack of human capacity and deficiencies and gaps in its legislation. It was still in the process of implementing reforms under Basel II to improve its regulatory framework for supervising and overseeing commercial banks, a process which would likely have required several more years.[103] Its Financial Supervision and Risk Management departments were newly created in 2003 and 2008 respectively, and were generally understaffed and inexperienced. The supervision department employed only 50 people to inspect and supervise thousands of bank branches during a time when Kabul Bank was rapidly expanding across the country. Its poor staffing made the Central Bank reliant on outside technical support from the US-based firm, Deloitte, contracted by USAID to support Central Bank supervisory activities.[104] USAID and IMF, the main donors supporting the Central Bank, were themselves understaffed: one junior USAID technical representative oversaw the $92 million Deloitte contract while the IMF employed one resident staff member in the country.[105] A former high-ranking official explained how the Central Bank stopped licencing new banks as it grew worried about its supervisory capacity but couldn't legally prevent Kabul Bank from opening new branches.[106]

The rapid growth of the bank after the involvement of Hassin and Mahmood tracked closely with its increasing power and influence in politics and business. Central Bank officials explained that Kabul Bank's political connections made it untouchable.[107] 'After the brothers got involved', argued one official at the time, 'our legal authority over the bank was only on paper; instead Kabul Bank had the power to determine the policies of the Central Bank'.[108] Others stated that they alerted US authorities to the problems at Kabul Bank prior to the collapse, telling US officials that they could not take on the corrupt networks within them without their political support.[109] In one instance, documented by USAID, Central Bank officials and technical advisors conducted an on-site examination at Kabul Bank only to have it terminated abruptly when Kabul Bank managers physically intimidated them.[110] In response, USAID discontinued on-site examinations by Deloitte advisors and limited them to less risky technical assistance activities such as classroom training and coaching while dismissing Central Bank allegations against Kabul Bank in their formal reporting as part of the 'Afghan context of incessant rumors of corruption'.[111] External technical assistance providers interviewed explained they often continued with technical assistance despite blatant corruption but did nothing as it was outside their mandate.[112] USAID had no policy requiring its embedded technical assistance providers to the Central Bank to report indications of fraud including intimidation, threats and corruption.[113]

Both former officials and international advisors criticised donor policies and practices as unable to address the political context in which the Kabul Bank operated. Several pointed out the IMF and World Bank, for instance, were excessively focused on macro-economics and project management.[114] These institutions were slow to adapt to the fragile state environment and the unique challenges it presented.[115] Neoliberal economic reform policies – which were rapidly imposed by the US and international financial institutions (IFI) – pressed for privatisation and liberalisation but were developed in non-fragile contexts.

The political corruption associated with the Kabul Bank network expanded further through the country's liberalisation and re-integration into the global economy particularly with access to safe financial havens. The vast majority of Kabul Bank money was invested outside the country in risky real estate ventures in Dubai. Domestically, funds were used to expand domestic non-productive, non-labour-intensive ventures, or to sustain a widespread system of bribes and extortion that permeated across the entire political spectrum. Legitimate loans constituted less than 10 per cent of the bank's loan portfolio.[116] Meanwhile over $873 million in both licit and illicit funds were transferred out of the country through SWIFT[117] transactions or physically smuggled through Pamir Airlines food trays benefitting Kabul Bank's management shareholders and close relatives between 2007 and 2011.[118]

In Afghanistan the criminality at Kabul Bank was considered an open secret known or suspected by many locals and increasingly foreigners. The scale of the crisis only came to the full attention of US officials, however, because of an escalating dispute between the CEO Ferozi and Chairman Farnoud.[119] Farnoud fearing he was being squeezed out by Ferozi with the support of Hassin and Mahmood reached out to U.S. officials likely seeking 'an edge' over his rivals and admitted that the bank operated as a massive pyramid scheme.[120]

A system that protected itself

> President Karzai does not have the option of arresting Kabul Bank board members. His situation is tenuous because he is dependent on the goodwill of powerbrokers. But at the same time, he can't just tell off the international community so he needs to prosecute some people to silence them. He is now going after the Central Bank to satisfy the IMF. But the IMF is not going to pull the plug either. The internationals have no leverage that they are prepared to use. It's not possible to run the war effort without paying the bad guys.
>
> International official (Interview, Kabul, July 2011)

The public unravelling of Kabul Bank exposed the extent to which illegality and predation had become entrenched in Afghanistan's political and economic marketplaces by 2010. It implicated many institutions and actors: from those involved in corrupt practices, including shareholders and executives, ministers, senior officials and more than 100 members of parliament to Central Bank officials who claimed political pressure and weak capacity prevented them from taking action, all the way up to the USAID and international officials and technical advisors who ignored 'red flags'. At the time, the public scandal and protection of its main protagonists from accountability became an indictment of an international aid system that, in effect, supercharged profits and wealth accumulation among the few politically connected while leaving the vast majority of citizens impoverished and insecure. One analyst characterised the aftermath as 'the system protecting itself'.[121]

Resolving the scandal became a battleground between Karzai and international actors, testing the commitment and ability of all players – domestic and international – to tackle the 'criminal patronage networks' that had emerged in the post-2001 space. An U.S. official interviewed in 2011 stated, 'We looked around and realised how deep all this ran. The corruption went from the top [of government] to the bottom . . . . It ran sideways to the Taliban. It went in every direction'.[122] The crisis undermined not only state legitimacy and its fiscal sustainability but also domestic and international support for the US and NATO's war and state-building efforts in the country. The limited accountability despite these high political costs demonstrated both the extent of state capture by criminalised networks as well as the different dilemmas that addressing the crisis posed to both Karzai and his international backers, a relationship itself characterised by mutual dependencies and vulnerabilities. According to an international official, it became a 'watershed moment where everything went downhill' for both anti-corruption efforts and the US-Afghan relationship.[123]

Domestically President Karzai was limited in his options given his reliance on those implicated in the scandal. The bank provided him a much-needed source of political finance to fund his 2009 presidential campaign and break his political opposition by buying the loyalty of Marshal Fahim at a time when his relationship with the Obama administration had increasingly soured.[124] Most importantly, the Kabul Bank stood at the heart of his political strategy to consolidate power and stabilise relations among competing southern and northern networks and served, as one international analyst argued, as a 'visible marker of a national-level political settlement'.[125] In the wake of the scandal, he initially resisted international pressure and blamed external advisors and auditors for 'deceiving' the country's financial regulatory bodies.[126] As the impending donor crisis loomed large with the suspension of the IMF program in Afghanistan, he set up a number of investigative bodies and placed the main protagonists under house arrest, offering amnesty to politically-exposed shareholders if they paid back the loans.[127]

Eventually, criminal prosecutions proceeded under Karzai but were widely criticised for failing to investigate the politically-connected beneficiaries and elites at the heart of the network. Instead, they convicted 21 individuals including Farnoud and Ferozi, lower-level Kabul Bank employees and Central Bank officials. Many observers believed Karzai scapegoated the Central Bank and lower-level Kabul Bank employees to avoid high-level prosecutions.[128] Even after President Ghani came to power in 2014 on an anti-corruption campaign and issued a presidential decree to resolve all remaining aspects of the Kabul Bank case, these efforts were stymied by political interference, intimidation and threats, and limited progress recovering assets from the main beneficiaries of the loans. The most high-profile and influential participants, including Mahmood Karzai and Hassin Fahim, remained immune because of political sensitivities.[129]

The failure to resolve the Kabul Bank crisis revealed how actors across the board, including the US and its partners, operated according to the logic of a fragile political marketplace rather than state-building and good governance. By 2009 and 2010, the US recognised that systemic corruption threatened mission objectives in Afghanistan. However, the US was pursuing other strategic priorities at the time, including a strategic partnership agreement and other counterterrorism activities that relied on the positive cooperation of President Karzai and many allied warlords and strongmen. This 'limited' U.S. action against corruption[130] and de-prioritised high-level anti-corruption investigations. A former international official interviewed in 2011 explained, 'there are no real political expenditures by the international community to pressure the government to tackle high-level corruption anymore, the US says it wants to focus on low-level corruption since they say it affects the average citizen more but this is just face-saving'.[131]

Conclusion

The story of Kabul Bank is not unique. Corruption and criminality have and continue to cripple international interventions in weak states- and not just those experiencing active conflict. Neoliberal economic orthodoxy and its associated policies have often led to the capture of private and state assets in many countries by corrupt and criminal actors. Historically, reconstruction and economic development involved increased, rather than reduced, state intervention and control over nascent financial systems – as in post-WW II Japan and western Europe and in South Korea after the Korean War.[132] Yet, in today's world, greater state intervention has been jettisoned in favour of immediate free market restructuring, making it more difficult to fight corruption particularly in fragile contexts with weak institutional capacity and contested political landscapes. This feature of liberal interventionist policy may be a significant factor in the failure of many modern reconstruction efforts.

This paper uses a network analysis and political marketplace framework to show how corrupt networks form, grow and metastasise through neo-liberal and technocratic economic reform with grave consequences for governance and stability. The political marketplace framework provides a useful analytical lens for explaining evolving governance and political dynamics while a network lens generates deeper insights into the intricate and complex interactions between local and global actors producing criminality corruption and state capture. By doing so, this paper demonstrates how international reconstruction practices and resources reconfigured power in Afghanistan and contributed to the consolidation and expansion of a governance system ruled by the logic of a criminalised political marketplace. It elaborates this argument by tracing the emergence of the most politically-connected network of business elites in Afghanistan, their collusive practices and the mechanisms through which they effectively subverted economic reconstruction, captured the state, and concentrated power.

This argument has both theoretical and policy implications. Most policy discussions that focus on economic restructuring remain dominated by ideological and technical approaches preoccupied with institution-building and capacity building. They measure success in macroeconomic terms as well as the creation of an enabling environment for private sector development. In Afghanistan the IMF reported positive economic growth and progress in the banking system and capital economy just as the Kabul Bank imploded, concealing the real political economy.[133] These indicators masked how neo-liberal market-based reform was fuelling a new type of patrimonial politics, cronyism and rentierism.

This paper also adds to literature on patrimonial politics in rentier states by showing how criminal proceeds and illicit sources of political finance can change the character and direction of patronage and transnational politics. In the literature on neo-patrimonial systems, the ruler awards personal favours both within the state – via public sector jobs – and in society – e.g. contracts, projects, or licence to plunder. In return for these material rewards, 'clients mobilise political support and refer all decisions upward as a mark of deference to patrons'.[134] Cronyism is also often used to describe these relationships where capitalists gain from lucrative rents from corrupt politicians, implying a power imbalance in favour of the state. While these are often relationships of collusion where economic and political actors mutually gain, this study shows how the relationship can also be reversed, with money flowing upwards via bribes and kickbacks in exchange for licence to extract resources and operate with impunity.[135] More importantly, as this case demonstrates, distinctions between the political and economic, public and private spheres, and the local and global are blurry, challenging anti-corruption efforts that tend to adopt clear divides.

Empirically, network analyses help illuminate the complexity and dynamic nature of corruption and resource-based relationships across space and scale. Understanding the evolution and interplay of these fluid networks, and how they intersect with financial flows and the acquisition of power provide insights into formal and informal power structures and the volatility of a trans-nationalised political marketplace. In fragile and conflict-affected contexts, the frequently short-term and fragile nature of resources linked to international intervention and aid structures intensify competition over resources and the temporality associated with elite alliances. For their part, international donors are themselves caught up in mutually-contingent relationships with political entrepreneurs and both construct and are bound by the logic of the political marketplace themselves. On the one hand, they underwrite patronage-based political strategies and the corruption that helps fuel the corruption and disorder – as well as finance insurgent groups like the Taliban. On the other hand, if they decide to pull the plug, they can further destabilise the political and economic arrangements upon which the state is based. Moreover, technical approaches to anti-corruption are often easily evaded particularly where the political elite – the policing powers – are captured. A network analysis can support more targeted interventions by identifying potential leverage points for disruption.

This paper strives to contribute important analyses on how the liberal peacebuilding approach in Afghanistan failed and by doing so, provide insights ahead of future crises. Dominant narratives – often advanced by Western politicians and observers – about the failures of the international intervention in Afghanistan tend to over-emphasise domestic factors in explaining corruption, criminality and violence.[136] In post-2001 Afghanistan, over time, external arguments 'normalised' the highly arbitrary and abusive exercise of power in Afghanistan, often reproducing deeply rooted preconceptions about Afghans and what they consider legitimate. This tendency could be seen in notions of Afghan 'good-enough governance' or 'acceptable levels of corruption' which were used first to reduce the aims of the externally-led state-building project.[137] These narratives obscure the role played by international reconstruction and reform policies and practices that, by design, are easily captured and corrupted by opportunistic criminal and political networks. This analysis shows how these networks aligned often around kinship, bringing together powerful diaspora members – transnational criminal ethno-powerbrokers and leaders across ethnic divides – to leverage opportunities created by international resources and economic policies in order to accumulate wealth and power, and 'globalised' the political and economic structures in the process.

Finally, the significance of the political marketplace as an analytical framework lies in its ability to examine ever-shifting realities even under vastly new conditions in the post-2021 era in Afghanistan. After the Taliban captured power, they moved quickly to increase their domestic revenue collection and avert a crisis following the withdrawal of significant levels of foreign aid (and thus external rents as political financing). In 2022, a World Bank assessment lauded the Taliban for improved political and financial stability, decreased corruption and significantly higher levels of revenue collection including taxes, fees, customs and revenues from mining (World Bank 2022). Others, however, argue that these positive assessments mask the underlying political economy. One study reports that increased customs revenues reflect the formalisation of the Taliban's smuggling trade.[138] Another highlights how the lack of fiscal transparency and public reporting in government expenditures raises questions on where this money is being spent, on what, or whom especially in a context where international donors and humanitarian actors continue to pay for (and now deliver directly) services for the population.[139] While widespread allegations of aid diversion capture headlines,[140] the problem of fungibility is less discussed and risks repeating similar dynamics of the rentier Republic. Foreign funding frees up Taliban revenue to pay for internal cohesion among fighters and factions as internal competition over resources such as drugs and minerals continues. What little is known of Taliban expenditure show an increase in security and contingency spending and little on social services.[141] It remains to be seen how resource competition, rising security threats from new groups and actors,[142] geopolitical rivalry, and various regional alliances within the broader Taliban movement will play out in the future and affect the dynamics of power and security under the Taliban.

Notes

1. For some it seems to usher in an end of an era for this missions see Ikenberry, *A World Safe for Democracy*, 287.
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5. Aidt, 'Corruption Institutions and Economic Development'; Dzhumashev, 'Corruption and Growth'.
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9. de Waal, *Real Politics of the Horn of Africa*.
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11. World Bank, 'World Development Report 2017'.
12. Cramer, *Civil War is Not a Stupid Thing*; Berdal, *Building Peace after War*.
13. With central bank officials international officials international technical advisors US investigators and Afghan analysts.
14. de Waal, *Real Politics of the Horn of Africa*.
15. North et al., *Violence and Social Orders*.
16. de Waal, *Real Politics of the Horn of Africa*, 2.
17. Olver, 'Patronage and politics in a South African city'.
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19. Ibid., 19.
20. Richmond, 'The Problem of Peace'; Duffield, *Global Governance*.
21. See e.g. Chandler, 'The Uncritical Critique'.
22. Goodhand and Sedra, 'Rethinking Liberal Peacebuilding', 242.
23. Kaldor, *New and Old Wars*; Paris, *At War's End*.
24. Addison et al., 'Reconstructing and Reforming the Financial System'; Reno, 'Understanding Criminality'.
25. Cramer, *Civil War is Not a Stupid Thing*; Bojicic-Dzelilovic and Kostovicova, 'Europeanisation and Conflict Networks'.
26. Lister and Pain, 'Trading in Power'.
27. Suhrke, 'Statebuilding in Afghanistan'; Sharan, 'The Dynamics of Elite Networks'.
28. Goodhand, 'Corrupting or Consolidating'.
29. Jackson and Minoia, 'Political and Economic Life in Afghanistan'.
30. Theros and Kaldor, 'The Logics of Public Authority'.
31. Suhrke, 'Statebuilding in Afghanistan'.
32. Maley, 'Institutional design'.
33. Goodhand, 'Corrupting or Consolidating', 411.
34. Saikal, 'Afghanistan's Weak State and Strong Society'.
35. Giustozzi and Allah, 'The inverted cycle'; Goodhand and Mansfeld, 'Drugs and dis(order)'.
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37. Mehran, 'Neopatrimonialism in Afghanistan', 91–93, 100.
38. Ibid.
39. Sharan, *Inside Afghanistan.*
40. See e.g. Maley, 'Institutional Design'; Gopal 'Rents Patronage and Defection'.
41. Brahimi, *Statebuilding in Crisis*.
42. Rubin, *Fragmentation of Afghanistan*.
43. The IMF reports that less than one-fifth of assistance was on budget in 2011/12. See IMF 'Ex Post Assessment'.
44. Giustozzi, *Respectable Warlords?* 1.
45. According to an interview with international officials it was money outside the state that deepened corruption since there was more effective public financial management in government Kabul July 2011.
46. Interview Western military official Kabul July 2011.
47. Forsberg, 'Power and Politics'.
48. Theros and Kaldor, 'The Logics of Public Authority.
49. Peters, *Seeds of Terror*.

50. Rangelov and Theros, ‘Abuse of Power’.
51. Tierney, *Warlord Inc.*
52. Chayes et al., ‘Corruption Protest and Militancy’, 5.
53. Interviews July 2011 Kabul; A report to congress in 2011 notes that in the summer of 2009 NATO began to see the country’s governance challenges in terms of networks rather than conventional state-building success metrics like institutional scope and strength; Dale, ‘War in Afghanistan’ 67–78.
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62. Interviews Kabul July and October 2011.
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81. Ibid.
82. Wafa and Gall, ‘Elder Karzai Defends Ties to Business’.
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85. Risen, ‘Another Karzai Forges Afghan Business Empire’.
86. SIGAR, ‘Private Sector Development and Economic Growth’, 100.
87. Ibid.
88. SIGAR, ‘Private Sector Development and Economic Growth’, 27; US Embassy-Kabul, ‘Dueling Afghan Chambers of Commerce’.
89. van Bijlert, ‘How to Win an Afghan Election’.
90. Interview Kabul July 2011.

91. Interview UN official Kabul July 2011; Filkins, 'Letter from Kabul'.
92. US Embassy-Kabul, 'Afghanistan Banking Sector Vulnerabilities'.
93. Forsberg and Sullivan, 'Criminal Patronage Networks'.
94. US Embassy-Kabul, 'Afghanistan Banking Sector Vulnerabilities'.
95. Afghanistan Reconstruction and Development Service Contracts Awarded Works Services and Goods. Available at: http://www.ards.gov.af/Awarded_works.asp [Accessed January 2019]. The data is published on the now-collapsed government's procurement site but the site is no longer available; Rubin, 'Afghan Elite Borrowed Freely'.
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98. Chatterjee, 'Afghanistan: Paying Off the Warlords'.
99. US Embassy-Kabul, 'KamAir Moves Forward on Safety'.
100. Søreide and Williams, *Corruption Grabbing and Development*, 179.
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102. Interviews with Central Bank officials Afghan analysts and activists; international technical assistance providers and officials 2010–2011; and 2020.
103. Interview with former Central Bank official London August 2011.
104. Interview Central Bank official Kabul 2011.
105. Interviews UN officials Kabul July 2011; USAID, 'Review of USAID/Afghanistan's Bank' 8. In the latter case 'Deloitte was managing USAID rather than the other way around' according to a US official.
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111. Ibid., 5–7.
112. Interviews Kabul 2011; Interviews phone 2020.
113. USAID, 'Review of USAID/Afghanistan's Bank Supervision', 8.
114. Ibid.
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118. According to USIP Kabul Bank money was transferred to 28 countries: 'The largest recipient countries were the United Arab Emirates $410.1 million; Latvia $130.7 million; and China $117.9 million. The largest transfer to China $93 million went to Xinjiang Qitai Xilu Company Limited which appears to be related to a holding company owned by (Sherkhan) Farnood (McLeod 2016).
119. Interview international official Kabul July 2011; Interview Afghan activist Kabul July 2011; Interview Afghan university professor Kabul July 2011.
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129. Rosenberg ‘Political Meddling Hampers Inquiry Into Kabul Bank Debacle’. Interviews with international officials former Afghan officials and analysts Kabul 2011 and phone 2019.
130. SIGAR, ‘Private Sector Development and Economic Growth’, 58.
131. Interview Kabul July 2011.
132. Addison et al., ‘Reconstructing and Reforming the Financial System’.
133. Donors and international institutions reported consistently high growth rates averaging in the double digits low inflation improvements with government revenue collection and the emergence of 17 commercial banks with total assets valued at roughly $2.6 billion operating in the country. Afghanistan’s domestic revenues grew by an average annual rate of thirty percent during the years 2006 to 2010 with customs duties and taxes constituting the largest share of domestic revenues. But it still only funded nine percent of total public expenditures at that time (USGAO, 2011; Pavlović Charap 2009; World Bank 2011).
134. Bratton and van de Walle, *Democratic Experiments in Africa*, 458.
135. In July 2011, a US official interviewed stated: ‘There are a lot of functional corrupt governments but in Afghanistan, it is dysfunctional corruption. If an Afghan pays a bribe, he still does not get service. It is not bribery, but extortion here. The problem is that these networks prevent the delivery of services. Perhaps corruption/joint extraction regimes would have worked here in Afghanistan had we [the internationals] not been here’.
136. Malkasian, *The American war in Afghanistan;* The White House, *Remarks by President Biden on Afghanistan*.
137. Rangelov and Theros, ‘Abuse of Power’.
138. Joya, ‘Post-2021: New Political Economy’.
139. Alokozai and Payenda, ‘Taliban’s Budget’; Byrd, ‘Wrestling with a Humanitarian Dilemma’; Clark, ‘Taxing the Afghan Nation’.
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Ethical approval

This research has received ethics approval by the Research Ethics Committee at the London School of Economics (ref: 26638). All interviewees provided informed consent via email or orally and have been anonymised.

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