

SDA Monthly Roundtable

Key questions defining Afghanistan's future



A *Security & Defence Agenda* Report

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Monthly Roundtable - Monday, 6 October, 2008, Bibliothèque Solvay, 12:00-16:00

Key questions defining Afghanistan's future

Session I

12:00-13:30

Is Afghanistan NATO's "last frontier"?

When the international community agreed in 2001 in Bonn on a strategy for post-Taliban Afghanistan, few expected stabilisation still to be the country's major problem seven years later. Afghanistan is generally associated in the media with NATO, turning the Alliance's performance into a test case for the wider challenges of burden sharing and combat force interoperability policies. With NATO now calling for greater coordination with such other international bodies as the UN, the EUPOL Mission in Afghanistan and the G8, is it time for a new Bonn conference? Is the military and developmental strategy embodied in Provincial Reconstruction Teams (PRTs) working? Will Afghanistan be the far limit of NATO's expeditionary missions, and what more could European leaders be doing to secure the public support needed to fully contribute financially and logistically in Afghanistan?

SDA Members Lunch—13:30—14:30

Session II

14:30-16:00

Restoring the missing link: private sector investment

TRANSATLANTIC SESSION VIA SATELLITE WITH WASHINGTON DC

Is investment the 'silver bullet' that can improve Afghanistan's security situation and how can vitally important EU and US private sector involvement be promoted while conflict still rages? The international community and the Afghan government met in Paris in mid-2008 to discuss implementation of the \$50 bn Afghanistan National Development Strategy for rebuilding the state. But analysts disagree on whether or not the Afghan government, with its poor governance record and heavy reliance on international institutions, is ready to take on so vast a project. What is now needed for the international community, the private sector and the Afghan people to work more closely together to provide the investment necessary for long-term Afghan security?

Executive summary: “Irresolute” political will dogs Afghanistan campaign

Speaking at the latest SDA roundtable, SACEUR General **John Craddock** questioned whether NATO’s member nations’ political will matched the Alliance’s ambition. Given the many caveats that limited his forces’ options, he argued that the political will was “irresolute”. Stressing that the “comprehensive approach” meant that all international bodies had to work together, General Craddock insisted that the insurgency-funding narcotics trade was the prime target. With the Taliban earning millions of dollars per annum, there was no time to lose.

The SDA session was timely given Brigadier Carleton-Smith’s declaration last Sunday that “a decisive military victory” against the Taliban should not be expected. At the SDA, the EU Council’s **Kees Klompenhouwer** said the EU would “remain engaged”, while the Afghan Ministry of Foreign Affairs’ **Davood Moradian** called for patience. He could see a future where Afghanistan could be a bridge between the west and the Islamic world. It was left to the ECFR’s **Daniel Korski** to provide a reality check – he reasoned that the reconstruction efforts were “on the brink of collapse”. For Korski, Afghanistan could require a 100 - year effort.

Compared to the morning session, there was a note of optimism when the focus moved to private sector investment. In Brussels, NATO’s **Jamelle McCampbell** spoke of many ongoing initiatives (63,000 new investment projects, 2,700 kilometres of roads, 28,000 micro-finance loans, etc.). She called for more “quick impact” projects and private sector involvement in the

PRTs. Although MEP **Urszula Gacek** saw problems on the ground such as corruption and a lack of coordination of the incoming aid, she believed in the future and suggested a series of clustered projects and a focus on the doable ones. The British FCO’s **Matthew Lodge** praised the *Afghanistan National Strategy Document*, saying it was “hugely ambitious”. However, as this was one of the three or four poorest countries in the world, he wanted full attention on a comprehensive approach with the private sector and the international community backing the Afghanistan government and holding it accountable.

In Washington, the Asian Development Bank’s **Robert Schöllhammer** called for patience as the Afghanistan government was at the “kindergarten” stage; he felt it was essential that the private sector filled the funding gap. The Afghan-American Chamber of Commerce’s **Ajmal Ghani** wanted more discussion about the government’s interface with the private sector and raised the possibility of an international chamber of commerce. The Small Enterprise Assistance Funds’ (SEAF’s) **James Sosnicky** did not want to give grants to companies in Afghanistan, as that would be “throwing money away”. For him, accountability was indeed the name of the game. Concluding that Afghanistan was not a lost cause, he argued that coordination was the key. With Brussels and Washington speakers fully supporting that statement, it was clear that any approach had to be coherent and coordinated as well as comprehensive.

Background

Describing the SDA's debate on Afghanistan as "timely", SDA Director **Giles Merritt** referred to various quotes in the media concerning a "battle that can't be won" and a "situation that is getting worse". Merritt reasoned that the situation on the ground, since the creation of the 2001 Bonn strategy for a post-Taliban Afghanistan, showed a clear need for the Alliance to re-focus its efforts – perhaps via a new Bonn conference. Noting the description of Afghanistan in the session's title as "NATO's last frontier", Merritt also saw an increased understanding that NATO could no longer conduct such "comprehensive" operations on its own. Against this background, SACEUR General **John Craddock** gave his keynote address.

Keynote address - SACEUR General John Craddock

General Craddock immediately took up the challenge of the "last frontier", agreeing that success in Afghanistan was inevitably linked to NATO's future but that it was for the Afghanistan government and the international community to win or lose the battle. Looking to the future, General Craddock argued that NATO's role was to set the scene for Afghanistan reconstruction. To that end, the General described the Provincial Reconstruction Teams (PRTs) as "sound" and a "key part" of the Alliance's strategy. Given the regional differences in Afghanistan, however, General Craddock did not see "one-size-fits-all" PRTs, but rather different approaches depending on the region. Looking to the future, the



<http://www.mapsofworld.com/afghanistan/maps/afghanistan-map.jpg>



General John Craddock

General saw the next step as Provincial Stabilisation Teams (PSTs), where civil agencies such as the police would play a key role.

Turning to the role of international community, General Craddock referred to the Alliance's "comprehensive approach" – which was seen differently by different players. Stressing that the situation was extremely complex, he argued that – above all – the various international organisations had to "work together".

As an example, General Craddock focused on the narcotics trade (see separate section), where his answer was to eliminate the laboratories and processing plants in order to put an end to the Taliban's annual profit of \$100 million from the heroin trade. That, said the General, would have an "invaluable strategic effect".

Returning to the question as to whether Afghanistan would be NATO's "last frontier", General Craddock said this would be debated by the 26 – soon to be 28 – NATO's nations. He saw this as an ongoing debate that had existed since the fall of the Berlin Wall – and that meant a review of the Alliance's Strategic Concept. Ending on a critical

note, General Craddock argued that while Europe's citizens deserved security that was worthy of the 21st century, the Alliance's capabilities were being limited by a "lack of political will" from the Alliance's member nations. With the existing caveats in place, General Craddock saw the existing political will as "irresolute".

Afghanistan – the state of play

Davood Moradian, Senior Advisor to the Minister of Foreign Affairs & Director, Centre for Strategic Studies, Afghan Ministry of Foreign Affairs

Moradian was keen to learn from the past, arguing that, since the collapse of the Taliban in 2001, no strategic vision had been developed and that this problem had been compounded by the ensuing "mistakes and shortcomings". Moradian was also critical of the media coverage that gave too much prominence to terrorist activities. This was leading to a situation where there were two Afghanistans – one "insecurity-racked" as described by the



Davood Moradian

media and the other populated by the "silent majority". His answer was for Afghanistan to support the SACEUR in



http://www.senliscouncil.net/images/map_02

the development of a comprehensive plan – with both military and civil elements. Arguing that NATO still retained the good will of the Afghan people, Moradian stressed the need to motivate the people and the civil bodies, to be patient, to provide extra resources and to make more efficient use of NATO's assets. Moradian concluded his remarks by presenting a stark choice – re-Talibanisation of the country or the creation of a democratic Afghanistan.

Yury Khohlov, Head of the Afghanistan Section, Russian Ministry of Foreign Affairs

Khohlov agreed with Moradian, saying that despite the negative media coverage, Russia believed that the reconstruction efforts would prevail. As for the need for a “new” Bonn conference, as suggested by Merritt, Khohlov was not convinced; he felt that

the country had matured and it was time to let Afghanistan decide its own future.



Yury Khohlov

In practical terms, this meant that the introduction of security throughout the country in order to remove the problems of the “Taliban gangs”. This also meant that the Afghan army and police force had to perform their duties more effectively, where the resulting impact would be in line with NATO's own interests.

Touching on the need for a transit route to Afghanistan, Khohlov gave Russia's support, but he highlighted the need to address routes through countries such as Kazakhstan and Uzbekistan. In summary, Khohlov wanted more autonomy for Afghanistan – so it could move towards a stable situation - and the creation of a “strategy for success” that involved NATO and the international community.

Kees Klompenhouwer, Director, Civilian Planning and Conduct Capability, Council of the European Union

Klompenhouwer also agreed with the previous speakers that events in



Kees Klompenhouwer

Afghanistan since 2001 had not been heading in the right direction. However, he insisted that the EU would remain engaged and that it had several roles to play – Europol, the provision of aid, etc. Taking the latter as an example, Klompenhouwer said it was not a fighting force and that Europol would focus on governance and the introduction of the rule of law. The overall aim, he said, was to “build the state of Afghanistan”.

Klompenhouwer stated that the EU was playing its part in the comprehensive approach that included regional activities. He stressed the importance of the forthcoming Afghan elections and the role that the local police would have at that time. Klompenhouwer explained that the EU was involved in the PRTs in 15 Afghan provinces and was contributing to the police efforts that were transforming the PRTs into PSTs. He added that a joint vision, endorsed by the international community, had agreed the future structure of the local police force.

Looking to the future, Klompenhouwer said that the EU's police mission in Afghanistan would double its size to 400 under the stewardship of Kai Vittrup, the recently appointed police commissioner. In parallel, a second phase was planned - with the objective of not just reform but also the creation of a criminal investigation department. Klompenhouwer added that the EU would be interested in the war on narcotics as described.

Daniel Korski, Senior Policy Fellow, European Council on Foreign Relations (ECFR)

After hearing the previous speakers describe a favourable picture in Afghanistan, Korski delivered a “reality check”. He agreed with Moradian that there were two Afghanistans – but they were the south (where insurgency was rife) and the “quiescent and corrupt”) north.

Giving a pessimistic view of the situation, Korski argued that the Afghanistan's government power was

limited outside of Kabul and that it was impossible to say that the policy of “rolling out the Afghan state” was still alive. For many people, the prospect of increased state interference in their lives, anyway, was not a welcome notion. He noted that, like all politicians the President was focused on his re-election with consequences for government policy. With insurgency costing many civilian lives, he described the rebels as a “strategic threat” with bases in Pakistan that allowed them to roam freely. Korski went as far as saying that the insurgents had the ability to put NATO on the back foot, though he acknowledged that the insurgency were shying away from set-piece confrontations with ISAF or OEF forces and would lose those that take place.



Daniel Korski

Suggesting that the US could be expected to send more troops but would struggle to meet the troop requirement, Korski argued that the problem was an absence of two divisions, not two brigades. Referring to the international community as “fractured”, he called strongly for political initiatives that would make a dent in the insurgency. That meant a comprehensive solution that including a stronger political element. Korski agreed that the EU was working hard but his overall conclusion

was that the EU had not been interested in Afghanistan until recently and it had to be convinced that this was a serious mission.

Korski was also not enthusiastic about a future Bonn conference as there had been four already; he felt that the current Afghanistan National Development Strategy document was top-heavy as it had some 36 objectives. Korski wanted the priorities to be streamlined to two or three – probably security and the rule of law. The rest of the issues could then be left to the 50-year hard slog that was undoubtedly required.

Not just a military issue

Responding to Korski’s “reality check”, General Craddock agreed that while one might be necessary, he did not accept that the insurgents were capable of facing NATO head-on; for the General, it was still an asymmetric war with various loose syndicates in the East and the Taliban in the South.

Moradian insisted that the Taliban was winning the propaganda battle and that this was a major problem. He explained that people had to differentiate between the media’s representation of the security picture and the actual state of security on the ground; the former, said Moradian, was not as bad as it was painted. Khohlov agreed that the Taliban were winning the propaganda war and he added that they were also seen as the strong party in the conflict. For Klompenhouwer, the question was whether the government could retain the people’s trust.

General Craddock insisted that military force alone could not win battle; it had

to be accompanied by social welfare, infrastructure and job opportunities.

The surge and the NRF

On the question as to whether there would be a surge, (to take on the Taliban and as part of a counter-narcotics push), Korski felt there would be - in the east and the south. However, in that case, he wondered how partners – such as the Canadians and the Dutch – could be kept on board given their withdrawal timetable in the south.

The SAIC's **Robert Bell** asked General Craddock if there would be a consensus to use the NATO Response Force (NRF) in the event of a surge. The General responded that its use would require a political decision; he did expect a request regarding the need for additional resources at election time.



Robert Bell

Talking to the Taliban

Friends of Europe Trustee **Robert Cox** wanted to know if there were a possibility of talking to the Taliban; would there be any benefit in that and did General Craddock think the Taliban

would be interested? Craddock felt that the comprehensive approach should examine all options, but that the Afghan government had to lead any such approach. Moradian insisted that negotiation was not an option but that the Taliban might be part of the reconciliation process. As an ideological group, he wanted to make them irrelevant to the Afghan people.



Robert Cox

The counter-narcotics issue

For General Craddock, the narcotics trade was a cancer that was fuelling the insurgency. He insisted that although it was the Afghan government's responsibility, that organisation could not defeat the Taliban-backed narcotics dealers on its own. Referring to the current counter-narcotics efforts as "ineffective", General Craddock stressed that other international parties – including NATO – had to play a role. As stated, his solution was not to eradicate the crops but to destroy the laboratories and processing plants in order to put an end to the Taliban's annual profit of \$100 million from the heroin trade.

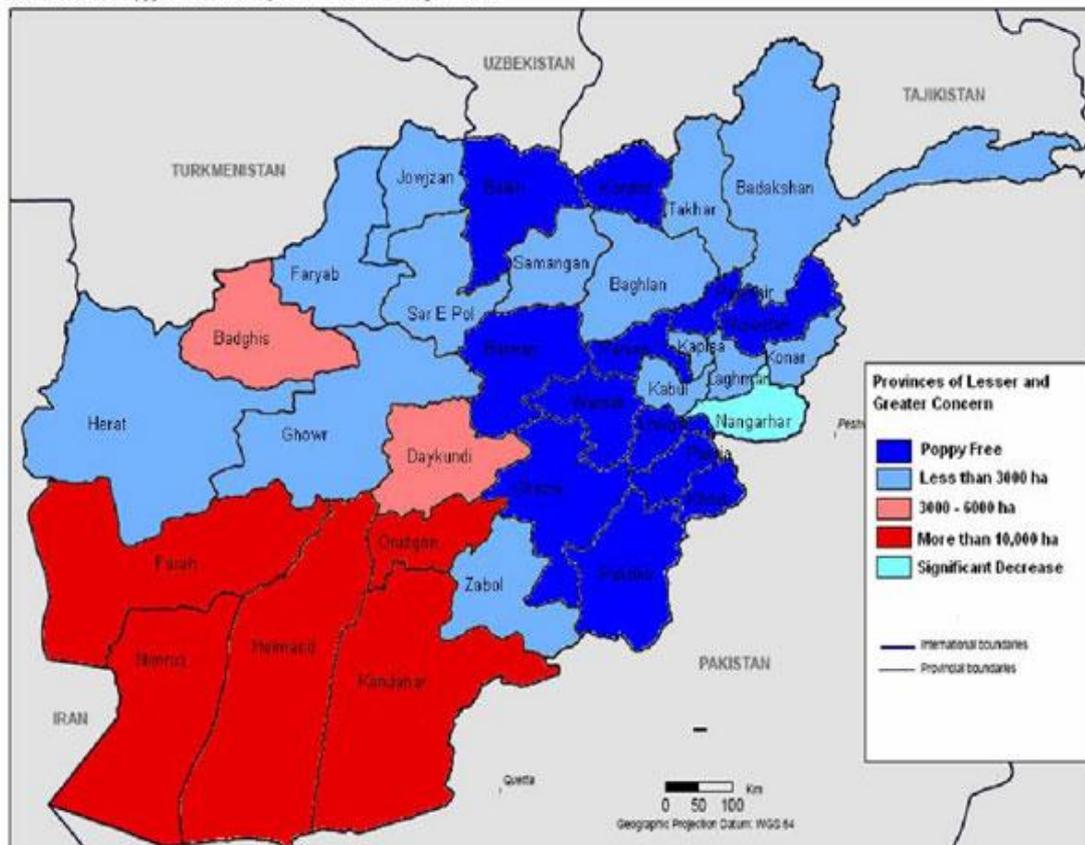
Khohlov agreed that the narcotics trade had to be "severely controlled"; his

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answer was to have the Afghan government involved in the eradication of poppy fields. This would not be easy and there had to be subsidies (from the government and the international community) so that the farmers would switch to alternative crops – he recommended a “carrot and stick” technique. Korski saw little hope of the local government arresting the high profile tribesmen as they had manifestly

areas were changing, governments were at risk and similar comprehensive approaches were ongoing. Insisting that concerted efforts were needed to destroy the poppy processing capabilities, the distribution units and the organising cells, the General argued that it was not just a matter of destroying the crops. Estimating that the insurgents were making between \$60 and \$100 million per annum, General Craddock said that

USG All Source Poppy Cultivation Projections for 2009 in Afghanistan



http://www.state.gov/cms_images/map_afghan_poppy600.jpg

failed to do that so far; he also felt that the situation in Afghanistan was unique and that only Thailand had had similarities in the past. General Craddock disagreed as he saw similarities in Colombia and across South East Asia. He reasoned that these

it was unthinkable that this could continue for another three or four years.

The Italian Delegation to NATO's **Antonio Cascio** agreed that action was necessary but he felt that good governance at the local level was an

essential pre-requisite in the fight against the drugs trade. He wanted to know if the Afghan government was ready to take on this responsibility and if they were ready to work closely with ISAF.

Carnegie Europe's **Fabrice Pothier** was also sure that drugs were a fundamental problem in Afghanistan. However, he argued that if NATO mounted a counter-narcotics operation, it would possibly be "a mission too far". Pothier gave the example of the east of Afghanistan, where the insurgency was strong but drug production was limited. He strongly contended that a major counter-narcotics operation would reduce the effectiveness of the fight against corruption and the development of a long-term economic plan.



Fabrice Pothier

Responding to both points, General Craddock repeated that the narcotics trade in Afghanistan was a \$4 billion industry, of which \$1 billion stayed in the country with \$100 million being used to finance insurgency. That left \$900 million dollars – per annum – to be used for other purposes, of which a considerable portion would doubtless be feeding corruption. He agreed that counter-narcotics was not primarily an ISAF mission, however, the Afghanistan

law enforcement agencies were not ready to take on the Taliban and they were under resourced. Delivering his own reality check, General Craddock said that the local law enforcement agencies would not be ready for another 2-3 years and that no one could wait that long.

Reasoning that no one wanted to destroy the poppy crops as this would drive the farmers into the arms of the Taliban, Jane's International Defence Review's **Brooks Tigner** suggested that it would make sense to give subsidies to the farmers on the understanding that they would eradicate the crops.



Brooks Tigner

General Craddock had mixed feelings on such a suggestion: for alternative development to work there was a need for good governance and better security so that the roads were safe enough for the farmers to be able to get their crops to market. However, the Taliban were set on destroying the infrastructure so this did not happen; the poppy crop was different in that the Taliban collected the crop from the farmers. General Craddock knew the long-term answer – the Afghanistan government's Internal Development Strategy had to be implemented across all districts – but that would take time.

Moradian was grateful that NATO had finally recognised the link between drugs, corruption, and terrorism. He wanted the Afghan government and ISAF to work closely together to fight all of these issues.

Finally, Tigner wanted to know if counter-narcotics strikes on the processing facilities (the laboratories) would require additional troops in Afghanistan. General Craddock was certain that the existing troops could do the job. He was also unconcerned about inflaming the Taliban, as it could not get

any worse than it was now. He said that ISAF would not rest until it had examined every avenue.

Regional issues

While Korski acknowledged that Al Qaida had been denied expansion, he warned about the lawlessness across the border in Pakistan. Recommending support for the Friends of Pakistan¹, he called for a high-level UN envoy who would have the remit to take actions for Pakistan's sake (rather than for the sake

PAKISTAN-AFGHANISTAN BORDER REGION



Map courtesy of <http://www.stratfor.com/>

of others). The mission would not just be to focus on terrorism but also on development and reconstruction.

Moradian gave his support to the 'Friends of Pakistan' initiative, but he argued that that country had "violated the trust" of the international community. The actions of Pakistan had to be looked at in that context and "smart sanctions" had to be considered against the Pakistan military-intelligence establishment as they still supported the Taliban.

Moradian also felt that Afghanistan had the capability of making a bridge between the west and the Islamic world (in a similar way to Turkey) as it had both Islamic and democratic values enshrined in both its constitution and its history. Khohlov felt that any attempt to make a bridge between Islam and the west would be difficult because of the insecurity; no one was investing because they did not want to take a risk.

General Craddock agreed that it was not just an Afghan problem as there were uncontrolled spaces – such as the North West frontier – that were providing sanctuary to the Taliban. Control of the borders was vital to the campaign and the General felt that while efforts were in progress, there was room for improvement. As an example, General Craddock referred to the east's increasing insurgency – because of the uncontrolled border regions.

"How much time have we got?"

That was Giles Merritt's question at the start of the debate – just how much time did the allies have to resolve the problems in Afghanistan?

Appealing for patience, Moradian said the West expected quick results but that was not possible in such a situation. Khohlov said it was impossible to say how much time was needed as no military solution was possible. Klompenhouwer preferred to look at how much time was actually needed but that was difficult to judge, as the requirement was to build a state, one that had suffered over 20 years of war.

Korski quoted the Danish Defence Minister who had said it would be a "decades long" campaign and he went even further saying it could take 30, 40, 50 or even 100 years before Afghanistan became a self-sustainable country. However, Korski did not see the international community being involved for that period; it was therefore necessary to reconfigure the international community's contribution as they met milestones throughout the process. Two of those milestones that Korski saw as fundamental were the elections (which had to be safe and fair) in 2009 and the "sword of Damocles" hanging over the region due to the Canadians saying they would leave the south of Afghanistan by 2011.

Reconstruction and development: the view in Brussels and Washington

From Washington, the US Atlantic Council's **James Townsend** opened the debate by stating that the US had for too long put too much focus on chasing the Taliban and insufficient attention on the key areas of reconstruction and development.

This led the SDA's **Giles Merritt**, in Brussels, to focus on the existing

problems in Afghanistan: two-thirds of houses with no electricity and one-third of houses with no running water. The Paris conference on Afghanistan on June 12, 2008², had highlighted the fact that while money was available, it was not being spent in the right areas. Referring to Ashraf Ghani's³ article in Europe's World⁴ earlier in 2008, Merritt said this had made several points:

- The reconstruction effort was poor,
- A single agency was required to pull things together,
- The whole process had to be more accountable,
- Work and wealth had to be generated,
- Red tape had to be cut so that projects could start moving.

Afghanistan

- Was one of South Asia's fastest growing economies
- GDP down to 7% from 13%
- Revenues 25% down on 2005-2007

The article had been entitled "Rescue plan for an Afghanistan perilously close to the tipping point" and Merritt argued that this point was now closer than ever – the aim of the SDA session was therefore to define what was being done right... and wrong.

Jamelle McCampbell, Stabilization & Reconstruction Coordinator Afghanistan, US Delegation to NATO

McCampbell quoted General Petraeus as saying that, unlike Iraq, Afghanistan needed building, not re-building. Describing the economic problems (see text box), McCampbell said the

situation had led to the international community failing to deliver on 50% of its promises. Furthermore, of the aid that had arrived, overhead had taken up 30% of the donation.



Jamelle McCampbell

There was good news though and McCampbell gave an overview of some of the achievements since 2001:

- 2700 kilometres of roads built
- 28,000 micro-finance loans granted, benefiting 100,000 women and 400,000 men
- 4 mobile phone companies created with 4 million subscribers
- 5 women-run business associations started
- 63,000 new investment projects initiated since 2003 – worth \$ 4.5 billion
- Investments made by Siemens, Microsoft, Coca Cola, ING, DHL, FedEx etc.

As for whether private investment could be the "silver bullet", McCampbell was equivocal: although private sector capital flows were six times the amount of government aid, she highlighted the huge challenges. These included the flawed or non-existent business laws, a

lack of interest from some nations and on the part of the Afghanistan government, the state of corruption⁵, protectionism, a lack of coordination and duplication of effort, no skills development opportunities and tariff barriers.

Despite this list, McCampbell still felt that private sector development could co-exist alongside insurgency; she gave the example of the UK's DFID⁶ providing micro-finance loans in the Helmand province. Specifically though, she called for "quick-impact projects", private sector involvement in the PRTs and more support for the Restricted Operating Zones (ROZs) so that exports could be encouraged. In summary, McCampbell wanted greater commitment from the Afghanistan government and more coordination from the international community.

Robert Schöllhammer, Deputy Resident Director, Asian Development Bank

In Washington, Schöllhammer called for patience as the Afghanistan government was at the "kindergarten" stage; he felt it was essential that the private sector filled the existing funding gap. Although he was not optimistic about the future, Schöllhammer felt that Afghanistan was not much different from countries such as Bangladesh or Cambodia and that it was far from being unique. Describing the money promised at the Paris conference (see earlier above) as "peanuts" (\$ 300 - \$ 400 million per year), he argued that the private sector had to fill the gap left by donors. As an aside, Schöllhammer said landlocked countries were now some of the fastest growing thanks to neighbours like

China; Afghanistan however had no developing neighbours.

Urszula Gacek, MEP and member, Delegation on relations with Afghanistan

Asian Development Bank

- HQ in Manila
- Owned and managed by 67 members
- 48 in the region and 19 from across the world
- Partners: governments, NGOs and private sector

Gacek opened her remarks on the Afghanistan National Development Strategy (ANDS)⁷, Gacek highlighted its three main goals: a) the need for security, b) governance and human rights, and c) economic & social development – with the last-named focusing on the private sector. Acknowledging that some observers felt the \$ 50 billion plan was too ambitious, Gacek preferred to see the document as a blueprint and an excellent starting point for progress in the region. Arguing for both top-down (the need for central

Success stories

- Direct road links to Tadjikistan
- 5% of the population have telecommunication links
- Kabul has a good international airport
- There is the beginning of an economic infrastructure, including micro-credits

government to push through with the basic legal and technical infrastructures) and bottom-up approaches, Gacek wanted “small success stories” that would instil much-needed confidence in the population after three decades of war.

Listing some recent successes, Gacek said these were “too little”. The major challenges that she saw were: security

The Afghan-American Chamber of Commerce

- Formed in 2002
- Aims to promote open-market economy and Afghan-American businesses in Afghanistan
- Forms partnerships with business associations, think tanks, universities, local chambers of commerce

issues - 8,000 people killed in 2007 and 10% of the districts being inaccessible to government forces - the flourishing opium trade with that of Helmand province being greater than Columbia's, and corruption with bribes totalling 8% of sales. Gacek added the lack of coordination of aid⁸ and a breakdown of links with the international community.

As for the next steps, Gacek saw a role for the private sector despite the



Urszula Gacek

prevailing economic climate. Alongside the “relatively peaceful” northern and western regions, she wanted alternative crops⁹ so that the farmers could make a decent living. She also suggested that regional governors, seen by some as warlords, were engaged in discussions – so that the EU's considerable aid package of \$600 million for next three years – could be use effectively.

Ajmal Ghani, Chairman, Afghan-American Chamber of Commerce¹⁰

Ajmal Ghani was also not sure if private investment could be the silver bullet necessary to kick-start the Afghanistan economy; however, he argued that there

In place today in Afghanistan:

- Afghanistan Reconstruction Fund (AFR) – \$ 235 million per annum, of which the UK contributes 33%
- The AFR is fully transparent and accountable
- The Afghanistan Investment Climate Facility – aiming at increasing employment and reducing bureaucracy
- The Afghanistan Ministerial Commission aiming at improving the dialogue between locals and investors

had been “incredible changes” brought about by private investment especially in the telecomms area. Ghani felt that this could be repeated in other domains and that meant more engagement with the Afghanistan government. His organisation, the AACC, has also launched an Afghanistan International Chamber of Commerce.

Matthew Lodge, Head, Afghanistan Group, British Foreign and Commonwealth Office (FCO)

Lodge praised the ANDS, saying it was “hugely ambitious”, as were the objectives of the international community. However, as Afghanistan was one of the three or four poorest countries in the world, he wanted full attention to be paid to the comprehensive approach with the private sector and the international community backing the Afghanistan government and holding it accountable. Looking back at NATO’s Bucharest



Matthew Lodge

conference and the recent Paris event – “the civilian equivalent of the NATO conference” – Lodge welcomed the amounts pledged but he wanted better dispersal of the amounts “already promised”, increased effectiveness of the aid and more action and accountability from the Afghanistan government.

While admitting that the private sector was struggling with a number of

problems – security issues, bureaucracy, corruption, legislation and land ownership – Lodge looked at the initiatives in place today (see text box) and reminded his audience that the work was starting from a low base. In terms of the ability to do business, the World Bank ranked Afghanistan as 159th out of 178 countries.

In summary, he called for a truly comprehensive approach that involved the private sector and of all the players – an approach that both supported and held the Afghanistan government to account. The key for Lodge was to get the ordinary Afghans to support the government rather than insurgency.

James Sosnicky, Small Enterprise Assistance Funds (SEAF)

Small Enterprise Assistance Funds

- Formed 1989
- Invests in 19 countries, including Afghanistan
- Focuses on providing growth capital and operational support to businesses in emerging markets
- Provides hands-on operational support and provide businesses in emerging economies with the global “connections”

Sosnicky insisted that SEAF was not into micro-finance as it focused on building infrastructure projects in the \$ 500,000 to \$ 2 billion range. As an opening remark, he insisted that the international community should not give grants to businesses in Afghanistan – without any accountability – as this was like “throwing money away” due to the

total lack of discipline in the marketplace.

Calling for accountable funding, he saw a role for the local government, multilateral government and the private sector. For the multilaterals, Sosnicky wanted them to focus on infrastructure projects – roads, electricity and data – so the country could be taken into the 21st century. Touching on the issues of employment, he said there was an excellent opportunity to employ local suppliers but this was not being grasped. Due to US regulations, the bulk of the work was going to Turkish and Pakistani companies (and others). Sosnicky therefore wanted two actions to be taken:

- A thorough review of the existing regulations so that local suppliers had opportunities to benefit from growth
- The introduction of a mandated procurement system that would ensure transparency

He knew that the Afghans traditional industries, such as marble, that could be energised if they had access to modern techniques and facilities. However, Sosnicky warned against the idea of introducing, for example carpet making, as it had been proven – on the ground – that such a business could not flourish in Afghanistan due to the weather conditions. He did not want time to be wasted, as there were other examples of “low-hanging fruit”. Concluding that Afghanistan was not a lost cause, he argued that coordination was the key.

The comprehensive approach and the PRTs

The International Security Information

Service Europe's (ISIS Europe's) **Giji Gya** welcomed the review of the role of the PRTs and the private sector as she was not convinced that the free market was the way forward, especially not in all of the regions. Gya also wanted private sector employees to be accountable and that took her to the issue of human security, as there were issues in Afghanistan due to the existence of Sharia Law. That could affect women, as many of them had no chance of ever being entrepreneurs.

Ajmal Ghani agreed with Gya, as the private security companies were subject to Afghan laws. Turkish Ambassador **Huseyn Dirioz** emphasised the important role of the PRTs but he wanted them to be geared towards local objectives and goals: health, education and agriculture.

Focusing on the comprehensive approach, Sandhurst's **Björn Müller-Wille** was not totally convinced that development always led to security – he did not see the evidence for that and he felt it depended on the type of development. Müller-Wille also argued that success could only be measured by the extent to which the military could disengage from the conflict. He added that the military and development communities would disengage at different times.

Sosnicky disagreed with those comments saying it was impossible to separate the development and security goals, as good governance always reduced security risks.

On the issue of the PRTs, a participant in Washington felt that while civil society was doing a good job, the PRTs were supporting the Afghanistan

national strategy and they were following a three-pronged approach: security, governance and development.

McCampbell argued that the coordination between the PRTs and the NGOs and other actors was a “huge issue” and it was being worked on – as for where the private sector should be placed, she wanted it in the PRTs to ensure a comprehensive approach. On Müller-Wille’s point, she agreed that development could be wasted (“10s of billions of dollars”) but that was mainly because the private sector had not been involved.

Lodge, however, was against the presence of the private sector in the PRTs as involvement would be better coming through bodies such as the Afghanistan Investment Climate Facility. Responding to Gya, he said that PRTs in the Helmand province were following a civilianised model; more local expertise was needed especially where there were sensitive issues. As for security and development, there was no “one size fits all approach – a group effort was required.

The investment picture and opportunities

Daniel Korski highlighted the enormous amount of resources being brought into the country by NATO and the other members of the international community. He regarded this as an opportunity to encourage local sourcing, of products such as tomatoes and bottled water, and be the basis for a “quick win”.

Sosnický agreed but added that such a project – Afghan First¹¹ – had been

successfully initiated. Colonel Bill Wicher, in Washington, praised the Afghan First project but suggested that the NAC lifted its own contracting regulations, which were working against the local people.

Schöllhammer emphasised the need to focus on high impact infrastructure projects and that a regional approach was best. He suggested that the international community looked at countries such as Tajikistan and Uzbekistan so that a regional approach could be developed along with Afghanistan’s neighbours. Schöllhammer argued that you should put priority on things that worked.

Good governance / bad governance

Davood Moradian felt that while there had been justifiable criticism of the Afghan government during the day, there should also be recognition of inefficiencies and examples of corruption on the side of the international community. For him, they were also part of the problem and he said he could provide hundreds of examples.

Ajmal Ghani could not agree with Moradian as he had seen many examples of bad governance and he thought that a policy of “give it to the Afghans” would only work if it was linked to genuine accountability.

Closing the SDA event, Giles Merritt saw some light in the gloom – perhaps due to the private sector – but he wanted a proper schedule of events, so that observers would know what would be happening in the next 5-10 years.

End notes

1. The Foreign Ministers of Australia, France, Germany, Italy, Japan, and Turkey and representatives of Canada, China, the EU and the UN, met in New York on Friday, September 26, under the co-chairmanship of Pakistan's President Asif Ali Zardari and Foreign Ministers of the UAE, UK and the US to launch the Friends of Pakistan Group.
2. The government of the Islamic Republic of Afghanistan and representatives of the international community met June 12 in Paris to reaffirm their long-term partnership in support of the people of Afghanistan, their security, prosperity and human rights.
3. Dr. Ashraf Ghani is the Chairman of the Institute of State Effectiveness, an organisation set up in January 2005 to promote the ability of states to serve their citizens. He was Afghanistan's finance minister between July 2002 and December 2004.
4. See <http://europesworld.blogactiv.eu/category/ashraf-ghani/> for the full article and response from Mike Gapes MP (UK).
5. Transparency International ranks Afghanistan in 176th position out of 180 countries in its 2008 Corruption Perceptions Index: above only Haiti, Iraq, Myanmar and Somalia. (see http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table).
6. The Department for International Development (DFID) is the part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty. See <http://www.dfid.gov.uk/news/files/afghan-helmand-economy.asp> for details of DFID's work in Afghanistan.
7. For a copy of the full document (over 200 pages), see <http://afghanistan.unifem.org/prog/MOWA/ands.html> and several other websites.
8. Gacek said that MEPs who had visited the region reported "confusion on the ground and disappointing results".
9. Gacek gave the example of traditional carpet making; this would require training, access to materials and marketing techniques that ensured the intermediaries were excluded (i.e. business clusters in the regions).
10. See <http://www.a-acc.org/c/about/mission.htm>.
11. The "Afghan First" concept was endorsed by the United States at a London Donor's Conference in 2006. Under the program, the U.S. pledged to "increase procurement within Afghanistan of supplies for civilian and military activities...use Afghan material in the implementation of projects, in particular for infrastructure...and increasingly use Afghan national implementation partners and equally qualified local and expatriate Afghans." (<http://kabul.usembassy.gov/pr040906.html>).

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Building on the combined expertise and authority of those involved in our meetings, the SDA gives greater prominence to the complex questions of how EU and NATO policies can complement one another, and how transatlantic challenges such as terrorism and Weapons of Mass Destruction can be met.

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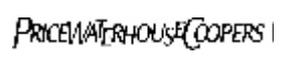
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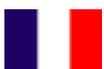
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