



THE ATLANTIC COUNCIL
OF THE UNITED STATES

A Ten-Year Framework for Afghanistan

Executing the Obama Plan
. . . And Beyond

A Report by the Atlantic Council

Ashraf Ghani

April 2009



THE ATLANTIC COUNCIL

OF THE UNITED STATES

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Foreword

The Obama administration's new strategy for Afghanistan and Pakistan presented Afghanistan and the region with renewed opportunities for success. The rapid deterioration of security and governance in Afghanistan will force the United States and its allies to focus on urgent and immediate steps to help bring about rapid progress to war-weary publics, particularly before the August 2009 presidential elections in Afghanistan.

However, short-term policies and actions will not be enough to achieve the goals of a self-sustaining, effective, and accountable Afghan government. This report makes the case that for the Obama administration to translate its defined goals and strategy for Afghanistan into achievements on the ground, it must adopt a broad, medium-term framework that responds to the needs and aspirations of the Afghan people.

By diagnosing the threats and opportunities that face Afghanistan and offering a coherent approach to state-building, this report offers an excellent guide for building on the new U.S. strategy and creating a functional state accountable to the needs of its people. It points essentially toward an implementation strategy for the Obama administration, if it is to have longer term success.

This report is the product of the diligent efforts of Dr. Ashraf Ghani, former Afghan Minister of Finance and Chairman (on leave) of the Institute for State Effectiveness. The Atlantic Council has profited enormously from Dr. Ghani's energies and brilliant insights as a member of both its International Advisory Board and the Program on International Security's Strategic Advisors Group (SAG). The Atlantic Council is grateful for Dr. Ghani's efforts in drafting this report and recognizes the important contributions by his aide Blair Glencorse.

With its important implications for the NATO Alliance and the broader South Asia region, this publication is a joint effort between the SAG and the Atlantic Council's South Asia Center. The Council wishes to recognize Franklin D. Kramer and Julian Lindley-French for their important contributions to the draft as members of the SAG, Shuja Nawaz for his oversight of the project effort as Director of the South Asia Center, and Assistant Director Jeffrey Lightfoot for coordinating the effort.



Frederick Kempe
President and CEO

Executive summary

A second chance to get things right

Describing the situation in Afghanistan and Pakistan as increasingly perilous, President Obama has committed his administration to enhancing the military, governance, and economic capacity of the two countries. On March 27, 2009, he announced plans to launch a new strategy in the region:

To succeed, we and our friends and allies must reverse the Taliban's gains and promote a more capable and accountable Afghan government. . . . Afghanistan has an elected government, but it is undermined by corruption and has difficulty delivering basic services to its people. The economy is undercut by a booming narcotics trade that encourages criminality and funds the insurgency. The people of Afghanistan seek the promise of a better future. Yet once again, they have seen the hope of a new day darkened by violence and uncertainty.

The Obama administration has thus both defined the problem and set clear goals for American engagement in the region. Translating these goals into achievements on the ground, however, is going to require understanding the context, the lessons from the past, and the priority actions for the future. Conditions on the ground are now much more difficult than in 2002 when the Afghan people overwhelmingly welcomed the international intervention. The goals set, however, are still achievable if the needs and aspirations of the Afghan people are the focus of renewed efforts. The administration has clearly recognized that the achievement of goals requires a medium-term approach. This report offers an implementation framework for translating the goals into feasible processes and actions in Afghanistan.

There are four major threats to securing Afghanistan's future. First, Al Qaeda is a renewed force moving fluidly between Afghanistan and Pakistan. Second, an expanded, well-resourced, and multifaceted insurgency presents a continual threat to Afghan and international actors. Third, a narcotics production, processing, and distribution network fuels corruption and violence and is becoming concentrated in the hands of a few nefarious individuals. And fourth, poor governance, underpinning all these problems, is now so entrenched that many organs of government are seen as the instruments of corruption, not of legitimacy and the rule of law.

These threats have been heightened and perpetuated by the inability of the international community to develop a unified strategy or coordination mechanism. Securing agreement on a joint strategy and on the means for coordination is a prerequisite for success in Afghanistan. The tendency of the Afghan elite to support instability rather than institutional reform is another key obstacle. The political field in Afghanistan must therefore be broadened to allow for the recognition and emergence of stakeholders in a stable and prosperous country.

While there are significant constraints to achieving the stated objectives, there are also significant Afghan and international assets to build on. On the Afghan side, the assets are in the natural, financial, and human capital and the institutional successes in areas ranging from the national army to rural development. The success of the political process from 2001 to 2004, when the first presidential elections in the country's history were held, shows the willingness of the Afghan public to engage in democratic processes. The National Solidarity

Program is one example of a novel approach that was deployed across a number of sectors. The success of its programs indicates that the key to institutional success is not context but the design of programs and the nature of partnerships between the Afghan stakeholders and the international community.

A coherent approach to state-building can produce a capable and accountable Afghan government. This report offers a prioritized approach to building state functions sequentially and in a way that creates self-sustaining linkages and reform processes. With a 10-year timeframe for achieving control of its territory and the allegiance of its people, the Afghan government can break down state functions into four institutional orders. This classification of functions will allow for a method of benchmarking and measurement and allow domestic and international actors to move from endless preparation of strategies on paper to the critical task of implementation on the ground.

First-order functions include the rule of law, to ensure that the Afghan state can control its territory through the use of effective security and police services that use force within a clear space defined by strict rules. They also include public finance, to ensure that resources, both internal and external, are channeled effectively and spent accountably at every level of government using robust national accountability systems. These functions involve administrative control, to turn Afghan territory into a hierarchically national space in which the functions and levels of governance are clearly defined and coordinated while supported by capable civil servants. These will include human capital development, to create stakeholders in positive reform that have the skills to support an effective public sector, a legitimate and productive private sector, and a vibrant civil society.

Second-order functions include market-building, creating sustainable jobs that can draw in

unemployed youth who provide the basis for the insurgency and the narcotics industry. This will involve developing key initiatives in support of agriculture, through a bold initiative that works from market access backward through value chains, supply chains, knowledge, and infrastructure and uses trade concessions and innovative financial tools to ensure sustainable and profitable production. It involves mining, through transparent licensing frameworks and credible arbitration and judicial enforcement of contracts. And it includes construction, which, through a central construction code, a central procurement authority, and a construction corps, could build on the private capacity in Afghanistan to truly transform the efficiency and sustainability of infrastructure development across the country.

Third-order functions include a focus on infrastructure, to consolidate territory, harness space, and release market forces using domestic and regional capabilities to build key roads, develop alternative energies and capitalize on new technologies while focusing on social policy, through rural programs that allow for generating wealth and developing social and institutional capital from the bottom up.

Fourth-order functions include public borrowing, to ensure that external resources can be channeled effectively in support of the budget as the central instrument of policy. They demand effective management of public, cultural, environmental, and innovation assets through credible contracting and regulation and the formalization of property rights. These functions also include second-generation human capital development, through a focus on tertiary and vocational training as part of a long-term, 20-year human development plan.

These institution-building processes can be justified strategically because they build on the successful state-building efforts under way in

Afghanistan between 2002 and 2005 and take advantage of the readiness of the Afghan people for good governance, the rule of law, and an end to violence and poverty.

The counter-insurgency (COIN) approach that is now beginning to guide American military actions in Afghanistan, as it has been in Iraq, also emphasizes a coherent and coordinated approach to good government to win public trust—to use force only when necessary in the short term and to avoid its use in the longer term. This is in line with the broader international thinking on state-building, which now emphasizes the centrality of governance and the cost of failure of disparate and piecemeal development approaches.

The coming months are central to Afghanistan's future for a variety of reasons. The new U.S. strategy can reach the medium-term state-building priorities outlined above through short-term actions:

- Ensuring a level playing field for the presidential elections in August 2009 and supporting a process through which Afghans can truly engage in constructive debate about the country's future.
- Developing a coherent international strategy, using the COIN manual as a basis for military operations and a Marshall Plan

approach to simplify the actions of the broader international community.

- Preparing new national programs with implementation plans in place for immediate roll-out by the new Afghan administration.
- Using the National Solidarity Program, a community-level development program, as a platform for rural enterprise and wealth generation.
- Focusing on eight model provinces across the country, which provide a demonstration and multiplier effect for the rest of Afghanistan to underpin a slowly broadening area of good governance.

The situation in Afghanistan is difficult, but by no means impossible, and renewed international focus combined with shifting internal dynamics provide a real opportunity to change the trajectory of the country and the lives of millions of Afghans. The first step has been taken—a coherent U.S. regional strategy now exists. This must be translated into measurable medium-term goals that support a functional and accountable state. These goals must be underpinned by short-term feasible actions that can generate positive change and a sense of hope, both within and outside Afghanistan, that the future will be more prosperous and secure than the past. This is essential for Afghan, regional, and global stability.

Key numbers

- The potential value of Afghanistan's opium, morphine, and heroin exports was \$3.4 billion, a third of the estimated GDP of \$10.2 billion in 2008.
- Initial U.S. support to Afghanistan was \$300 million a year.
- Afghanistan is at the center of 3 billion potential consumers in China, India, the Gulf, and Europe.
- Current spending by NATO and Coalition forces is about \$20 billion a month.
- Rural incomes per capita have to increase from \$1 a day to at least \$4 a day, the tipping point for opium production to become unprofitable.

Introduction

Describing the situation in Afghanistan and Pakistan as increasingly perilous, President Obama has committed his administration to enhancing the military, governance, and economic capacity of these two countries. He stated in his speech launching a new strategy in the region that:

To succeed, we and our friends and allies must reverse the Taliban's gains and promote a more capable and accountable Afghan government. . . . Afghanistan has an elected government, but it is undermined by corruption and has difficulty delivering basic services to its people. The economy is undercut by a booming narcotics trade that encourages criminality and funds the insurgency. The people of Afghanistan seek the promise of a better future. Yet once again, they have seen the hope of a new day darkened by violence and uncertainty.¹

The Obama Administration has thus both defined the problem and set the goals for American engagement in the region. Translating these goals into achievements on the ground, however, is going to require understanding of the context, the lessons from the past, and the priority actions for the future. Conditions on the ground are now much more difficult than in 2002 when the Afghan people overwhelmingly welcomed the international intervention. The goals set, however, are still achievable if the needs and aspirations of the Afghan people are the focus of renewed efforts. The administration has clearly recognized that the achievement of goals requires a medium-term

1. Speech by U.S. President Obama on March 27, 2009 (www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-a-New-Strategy-for-Afghanistan-and-Pakistan/).

approach. The contribution of this report is to offer an implementation framework for translating the goals into feasible processes and actions in Afghanistan.

The Obama administration's focus on Afghanistan offers Afghans and the international community a second chance to support the right type of state-building and truly secure Afghanistan's future. Afghans once again have the opportunity to articulate, own, and implement an agenda for building an effective state and a legitimate economy. And international actors can become catalysts to help Afghans break the vicious circle and replace it with a virtuous circle of stability and development.

Threats

Afghanistan is now ranked the fourth most war-torn, fifth most corrupt, seventh most fragile, and second weakest state in the world.² The vicious circle of narcotics, crime, corruption, and the erosion of public trust in government has prolonged and heightened the conflict, instability, and violence in the country. Secretary Hillary Clinton, in her confirmation hearings, described the conditions in Afghanistan as those of a "narco-state," a term I first used in 2002 when warning against the worst probable outcome of the international intervention in Afghanistan. Indeed, key threats to progress in Afghanistan are Al Qaeda, the insurgency, narcotics, and poor governance and corruption.

2. For corruption and war-torn rankings, see Transparency International's Corruption Perceptions Index 2008 (www.transparency.org/policy_research/surveys_indices/cpi/2008); for fragility rankings, see Foreign Policy's The Failed States Index 2008 (www.foreignpolicy.com/story/cms.php?story_id=4350&page=1); and for weakness rankings, see Rice and Patrick's *Index of State Weakness in the Developing World* (www.brookings.edu/~media/Files/rc/reports/2008/02_weak_states_index/02_weak_states_index.pdf).

Al Qaeda

There is a consensus that a regrouped Al Qaeda threatens global stability. Its three key objectives, Bruce Reidel argues, are

. . . to create and nurture “bleeding wars” that will defeat the United States just as the mujahideen defeated the Soviet Union, to build a safe haven in Pakistan for the operational headquarters of the Al Qaeda leadership and establish franchises throughout the Islamic world to overthrow pro-American regimes, and to conduct more “raids” on the West like 9/11 and the Madrid and London atrocities, someday perhaps with a nuclear weapon.³

In the aftermath of 9/11, Al Qaeda leadership retreated to the tribally administered areas of Pakistan. Using ideology to gain its foothold, Al Qaeda then used massive funds to consolidate its hold on the area. It distributed millions of dollars among tribal elders, paid militant commanders millions more in advance, and hired local fighters, offering wages far exceeding those paid by the national army.⁴ Al Qaeda also seems to have invested in purchasing arms in Afghanistan from 2002 to 2005, when the country was relatively quiet and local strongmen were liquidating some of their caches. Witnessing the welcome the Afghan people accorded to the international forces, Al Qaeda focused on creating a sanctuary in Pakistan. The U.S. invasion of Iraq, however, allowed Al Qaeda to paint the war in Afghanistan as part of a larger U.S. attack on Islam and use it as a means to recruit disaffected young people and to justify its actions. Since that invasion, militants have circulated between the two theaters, transferring deadly techniques from one country to the other. Continued attacks in

Afghanistan, Pakistan, and India indicate the regional and global dimensions of the threat and the potential threat to global security.

Insurgency

The insurgency poses a double threat to peace. In unleashing violence against the Afghan people and Afghan and international forces, it also pushes NATO and the Afghan security apparatus to use more force in ever-wider areas of the country. Expanding from its initial base in the south, the insurgency is active in the east, several provinces surrounding the capital city of Kabul, the province of Badghis in the northwest, and the province of Kunduz in the north. The insurgency significantly affects the psychological state of the population by disrupting the flow of traffic on the ring road, the communication artery of the country, and by selectively attacking highly visible targets such as the recent attacks on the government buildings in Kabul and those on the Serena Hotel, the Indian embassy, French forces, and U.S. navy seals. The projection of a forward march toward Kabul also seems designed for maximum psychological impact, as the encirclement of the city reminds its inhabitants of the Taliban's conquest of the capital in 1996.

Five features of the insurgency are notable. First, it is cash-based, with steadily expanding finances from Al Qaeda, narcotics, and fees imposed on transport, construction, merchants, and landowners. With arms and materials widely available in Afghanistan, this ready cash makes it possible to engage in destructive operations without developing supply lines or elaborate logistics. Large cash reserves also allow the insurgency to pay its recruits higher wages than the government pays the national army.

Second, the insurgency is multifaceted. Al Qaeda policy pits multiple groups against each other without a unified command and control

3. Reidel 2008, p. 11.

4. Hussain 2007, p. 148.

center, similar to the mujahideen resistance to the Soviets. Evidence suggests that cash is being used to recruit disabled people and drug addicts as suicide bombers. Moreover, given the economic conditions, unemployed youth also provide a large recruitment pool. As in insurgencies elsewhere, individual operatives know very little about those giving the orders.

Third, the insurgency has created an environment of lawlessness that enables the re-emergence of criminal gangs. The identity of these gangs is widely known and their operations seem to be made possible through collusion with corrupt government officials and the police. Even those young insurgents who are motivated by ideology rather than circumstance are increasingly operating in illegal spheres and doing so without coordination with their leaders in exile, engaging in kidnapping, extortion and theft on their own initiative.

Fourth, the insurgency has a sanctuary and base in Pakistan. The presence of the Afghan Taliban has provided the Pakistani Taliban ideological legitimacy, as the Afghan Taliban are seen as engaged in a legitimate struggle against international forces. Al Qaeda and the Pakistani Taliban have capitalized on this by publicly indicating their allegiance to Mullah Omar, the leader of the Afghan Taliban, and his cause.

Fifth, the Taliban component of the insurgency has gained a reputation for rendering impartial justice in the south. Unlike nationalist and communist insurgencies, the Taliban have neither produced a compelling story of how they will transform the lives of the poor in Afghanistan nor provided social services in their areas of operation. They have, however, stepped into the vacuum created by corruption in the judiciary, which has been using the widespread disputes over property rights as occasions to extract extortionate bribes, and this has been critical to their support.

The insurgents' narrative of an expanding campaign, however, glosses over the fact that their plans in 2006—a push to establish a parallel government in Kandahar, gain control of several southern provinces, and turn Kabul into a second Baghdad—failed. NATO prevented the insurgency from conquering a single province, though international forces have not cleared the insurgency from any of the southern provinces. Caught in limbo, the Afghan public has become uncertain of the future and is now trying merely to cope with the changing dynamics by using survival mechanisms developed during the intense conflict of the 1980s and 1990s, as exemplified by their accommodation of drug cartels.

Narcotics

Drugs are a large part of the small Afghan economy. The potential value of opium, morphine, and heroin exports was \$3.4 billion,⁵ compared with an estimated GDP of \$10.2 billion in 2008.⁶ Heroin is the ugly side of globalization, as evidenced by its escalating price as it is trafficked to major consuming countries. The UN Office of Drugs and Crime reports that the wholesale price of a gram of heroin is, on average, \$2.50 in Afghanistan, \$3.50 in Pakistan and Iran, \$8 in Turkey, \$12 in Albania, \$18 in Slovenia or Slovakia, \$22 in Germany, \$30 in the United Kingdom, and \$33 in Russia.⁷ And retail prices can be 10 times the wholesale prices, a result of “cutting” that mixes the drug with other substances.

This vicious value chain is an example of an integrated global network, combining production, credit, distribution, and careful inventory management. As with diamonds, there is a difference between the stock and yearly flows. Opium can be stored for long periods, representing

5. UNODC 2008, p. 29.

6. UNODC 2008, p. 5.

7. UNODC 2007.

a store of value, while heroin is unstable and must be consumed within a limited period. The traffickers must thus decide on the amount to grow given their stored stock of opium and the amount to convert to heroin. Yearly fluctuations in the land devoted to poppy cultivation should therefore be interpreted carefully.

The change in the organization of drug dealers from a network to a cartel has been critical to the ability of these dealers to balance supply and demand. The United Nations Office of Drugs and Crime and the World Bank report that between 2001 and 2007 a loose network involving hundreds of thousands of small drug dealers evolved into a cartel of 25 to 30 traffickers, 15 of whom are based in the city of Kandahar.⁸ While Europe has been their key market, there has been a strong effort to expand the network of distribution to other continents. As early as 2005, evidence shows that heroin traffickers have penetrated the West Coast of the United States. There has also been speculation about increased coordination by heroin and cocaine cartels to expand and consolidate global markets.

While legitimate Afghan agriculture has languished, opium has been fully integrated into the global profit chain. This unbalance clearly has adverse impacts on governance and development—not only corrupting individuals but undermining the entire system. The narcotics profit chain produces vested interests in instability, as weak governance enables traffickers to expand their criminal activities into other areas of the economy. Opium cultivation and heroin processing and trafficking require collusion with government officials. The UN Office of Drugs and Crime and World Bank study makes a convincing argument that the Ministry of the Interior, which until 2008 oversaw both police and local government, became an instrument of protection for criminal elements.⁹ As a

result, the economic impact of narcotics seems to be rapidly overshadowing sectors of the legitimate economy. The disproportionate cash flowing to traffickers, their penetration of government, and their capacity to use force against competitors is turning the marketplace into an uneven playing field. The risk of criminalizing the entire Afghan economy is therefore very real.

Narcotics now provide the critical financial basis of the insurgency. Besides collecting 10 percent in direct taxes from cultivators, the insurgents are also involved in the protection and trafficking network. The UN Office of Drugs and Crime believes that the narcotics network could be providing several hundred million dollars each year in resources to the insurgency. Narcotics, therefore, pose a dual threat to good governance.¹⁰ By ensnaring the forces of law and order in its criminal web and turning them into its henchman, it weakens public trust in government and in the international community. Simultaneously, its funds provide the fuel for the insurgency's expansion.

A counter-narcotics strategy exists on paper, but practice has been entirely different. Ambassador Thomas Schweich, who led the U.S. counter-narcotics efforts in Afghanistan, summed up the situation in a 2008 article, arguing that “an odd cabal of timorous Europeans, myopic media outlets, corrupt Afghans, blinkered Pentagon officers, politically motivated Democrats and the Taliban were preventing the implementation of an effective counterdrug program. And the rest of us could not turn them around.”¹¹ The article title asked, “Is Afghanistan a Narco State?” His answer is a clear yes. To overcome the threat of narcotics, lessons from the failure of the implementation of the current approaches must be learned, internalized, and acted on.

8. Shaw 2006, pp. 204–06.

9. Shaw 2006, pp. 198–99.

10. UNODC 2008, p. 128.

11. Thomas Schweich, “Is Afghanistan a Narco-State?”, *The New York Times Magazine*, July 27, 2008.

Poor governance and corruption

The threats posed by narcotics and the insurgency are heightened by poor governance, which both enables and perpetuates these problems. In the post–September 11 environment Afghan leaders had the opportunity to become the founding fathers of an effective state and an inclusive nation. Instead, their widespread failures created a vacuum in governance that led to the ascendancy of the insurgency and the loss of the population’s trust. If governance is understood as the mechanism for translating objectives into measurable outcomes for citizens and lasting organizational structures, Afghanistan suffers from the absence of good governance in multiple forms. Five domains of state functions illustrate the declining quality of governance in Afghanistan.

Citizen rights. Prominent among them are the right to movement, the right to property, and the right to personal security. Where the government should be a protector of citizen rights, it is instead a predator. For example, in the southern province of Kandahar, where the insurgency was launched and continues to be active, a citizen has to pass through multiple tolls on the road from the Pakistani border to the city of Kandahar, with various officials demanding illegal payments. Freedom of movement for Afghans is thus restricted by the government meant to guarantee freedom. Moreover, the right to property, enshrined in Islamic law and the constitution, has become an area of ambiguity and corruption, as two decades of war and forced migration have led to multiple claims on the same assets. Finally, millions of citizens are forced to live in informal or illegal settlements because municipalities impose obsolete land management rules from the Soviet master-planning era. Meanwhile, hundreds of thousands of hectares of government land are expropriated through force or falsified records, depriving the public of both current and future assets.

The rule of law. A government that functions under the rule of law delineates the spheres and responsibilities of its officials through clear rules, as their duty is to provide for the welfare of citizens. Justice then becomes the basis of a legitimate order, as citizens trust the state to settle their disputes fairly. In Afghan political culture justice is foundational. As the sixteenth century poet Khusal Khan Khattak wrote, “one day of justice by a ruler is the equivalent to 40 years of praying.” Today, the judiciary is among the most distrusted sectors of government, as disputes among citizens are exploited for private gain by judges and their subordinates. Under good governance, public administration becomes the vehicle for collective power to solve collective problems. In Afghanistan, however, public office is increasingly seen as license for predation and personal gain.

The delivery of services. A functional government delivers effective and inclusive social services. Health, infrastructure, and education provide good yardsticks for the effectiveness of governance. While there have been advances in preventive medicine in Afghanistan, curative medicine continues to suffer from corruption. Individuals operate as doctors without proper certification, pharmacies routinely sell drugs that have expired or do not meet quality standards, and hospitals meant to be free to the public collect illegal fees from patients.

While millions of children are enrolled in primary and secondary education in Afghanistan, the lack of investment in vocational and higher education is striking. The under-29 age group, the vast majority of Afghanistan’s population,¹² faces an estimated rate of 40 percent unemployment¹³ and have little opportunity to acquire the skills or education that allow for upward mobility. Without the requisite capabilities,

12. U.S. Census Bureau, “Midyear population by age and sex 2008.”

13. CIA 2009.

they cannot become the leaders and managers of the future. Instead, they form the reserve pool of the insurgency and the labor force of the drug network.

Finally, providing infrastructure is now an established function of the state (either through direct managing or creating good conditions for public-private partnership), but the Afghan government allows or ignores corrupt procurement and contracting practices in hundreds of construction projects and does not enforce adherence to clear rules for construction and maintenance.

Accountability to citizens. The trend in accountability in Afghanistan has been downward. The absence of response from the government to issues of accountability has made the availability of public voice an instrument for the expression of frustration rather than a mechanism for promoting good governance. Corruption in Afghanistan has become endemic and systematic as the public sector has become privatized and the private sector becomes politicized. The government has become the mechanism not for governance but for antigovernance, and government positions have become a license for corruption. The police, rather than protect the people, are seen largely as instruments to protect the narcotics trade. Millions of acres of public land have been expropriated by corrupt government officials. And the country's natural wealth is being illegally exploited or given away through obscure contracting mechanisms. Allegations of the selling of offices are pervasive, and demands for payments are seen as a way of recouping the investment in these offices. The routinization of corruption now makes reform considerably more difficult than after the overthrow of the Taliban. Because corruption has major stakeholders and reform has no visible constituency in the government, Afghans will need to articulate, own, and fight for a coherent anticorruption strategy.

Such a strategy could focus initially on areas where reform is possible and could generate positive momentum for larger, subsequent reform—and where the political will and commitment to change exists. These might include the processes for licensing mines, with new rules that can be put in place quickly and enforced systematically, or key areas of revenue mobilization such as customs. This strategy could have clear goals and benchmarks to measure progress. Some examples: The government should agree with the International Monetary Fund on doubling revenue within two years, against which financial support would be front-loaded by the international community, given that the Ministry of Finance recently estimated that the country is losing about 70 percent of its potential revenue. The government should form a commission of international experts and Afghan civil society to review the award of mining contracts and to subject awards of all future contracts for mining to the standards of the Extractive Industry Transparency Initiative. The government should recruit 3,000 civil servants in top positions and ensure that the top 20 percent of the police force is subject to a transparent recruitment, promotion, and payment system based on clear criteria. The government should create an office of ombudsman, staffed by both Afghans and qualified internationals, to which allegations of corruption can be credibly brought and investigated. The government should set up a systematic process for urban property rights disputes and a computerized cadastre of these rights to eliminate any room for corruption. The government should encourage the use of scorecards by citizens to measure bureaucratic performance, to share the results in public, and to take action.

Bad governance is not merely a weakness but a threat to stable and legitimate order, which the population can identify with and use to distance itself from the insurgency. Hence, the emerging consensus is that it is not the strength of the Taliban but the failure of the

government to govern that has led to the current crisis.

Weaknesses

International community—a failure to develop a unified strategy

Afghanistan was the first major test of the twenty-first century for international organizations inherited from the twentieth century. To maintain their relevance in today's world, these organizations now have to prove themselves as effective partners in building institutions of good economic and political governance. So far, this challenge has not been met in Afghanistan. Taken by surprise in 2001, the international community did not have the opportunity to create and agree on clear objectives for its efforts in Afghanistan. Instead, the stovepipes of security, politics, and development operated separately, without being unified by a consensus on a larger strategy. The international community's failure to develop a unified strategy produced a destabilizing effect, whereby their efforts created organizations parallel to the government rather than built Afghan institutions. When UN agencies acquired \$1.6 billion from the initial Tokyo donor conference in January 2002, the Afghan government received \$20 million. As each UN agency and bilateral aid agency set up offices, their higher salaries drew the best of Afghan talent and skills away from the government and key public services such as health, education, and police, further weakening the government's ability to function effectively. As the bulk of the international community's work was concentrated on quick impact projects, and the national government lacked the resources of the international community, the Afghan public saw no sustainable results from either the international community or their own government.

From early 2002 onward Afghanistan was cast in Iraq's shadow, and the scale of the

development task was vastly underestimated. Initial U.S. support to Afghanistan was only \$300 million a year; meanwhile, the World Bank estimates that between the Communist coup in 1978 and the overthrow of the Taliban in 2001, the total cost of lost growth, humanitarian assistance, and military expenditure amounted to around \$240 billion.¹⁴ When *New York Times* reporter Thomas Friedman visited Kabul in early 2002, two-thirds of it in ruins, he commented that "it looked exactly like Ground Zero."¹⁵ It was a reminder of the enormity of the task. As the Bonn process was implemented successfully, commitment gradually increased, but the invasion of Iraq shifted U.S. attention, and in 2005 plans for drawing down American forces in Afghanistan from 15,000 to 5,000 were put into motion.

The insurgency surprised most policymakers in the West. With the onslaught of the insurgency, the coordination between military and civilian components of the international effort came to the fore. While the military has been able to clear areas of insurgents, the mechanisms to govern and develop these spaces have failed. As a result the momentum seems to be on the side of the insurgents, who can project an image of expanding capacity, control, and influence.

Broader coordination among international actors across agencies and sectors is a central problem. The myriad of discrete efforts launched by actors, which sometimes duplicate and contradict each other, are now understood to be less effective than efforts unified behind coherent collective objectives. Efficiency is also bottlenecked by the outsourcing of projects to contractors, the dominant mechanism for delivery. While contractors can deliver projects in principle, in Afghanistan this involved primary contractors subcontracting many times, with

14. World Bank 2004.

15. NewsHour 2002.

each subcontractor taking a percentage of the funds for overhead costs. The net result of this “salami-slicing” was that only 15–20 percent of the allocated resources were being spent in Afghanistan, the bulk remaining with the chain of contractors abroad. The public was left with a glaring gap between pronouncements on the amount of money allocated for development and the paltry results delivered. International actors now agree that unified effort urgently needs to be addressed, and efforts to do so are beginning to coalesce.

The Afghan elite—a failure to articulate a clear agenda

The Coalition ousted the Taliban and Al Qaeda with a strategy that combined overwhelming air power with a limited ground deployment of Special Forces working with fighters from the Northern Alliance, who had been locked in a civil war with the Taliban for six years. During that period the Northern Alliance held the Afghan seat at the UN and both considered and projected itself as the legitimate government of Afghanistan. Since the military situation moved more quickly than the preparation of a political framework for the country’s future, the forces of the Northern Alliance were able to enter Kabul and place several hundred thousand people in both civil and military positions, including those who had previously operated as strongmen in control of the provinces. In their provincial strongholds, these men had not only taken over customs revenue, which by law was a prerogative of the central government, but also created their own armed forces and decided the appointment of officials within a province and sometimes even within a range of provinces.

These men and other Afghans reflected on the failure of the anti-Soviet resistance leaders to govern the country in the early 1990s. The Afghan people hoped that the mistakes of the past would not be repeated and that a national agenda would emerge to define the interests

of the country and deliver law, order, and basic services to the population. Despite some exceptions, the Afghan political elite seem not to have learned from the past. While they are the major beneficiaries of the current political dispensation, they have not become stakeholders in articulating a clear agenda that would guarantee both their interests and that of the population. Instead, the syndrome of the war economy seems to be deepening. This failure of the political elite to cohere is another causal link with to bad governance.

Assets

Despite the threats and weaknesses, there are grounds for optimism. Both Afghanistan and the international community have assets that can be used to create sustainable peace and development.

Natural capital

The country is rich in natural capital, with three sets of these resources being particularly important. First, the recent U.S. Geological Survey reveals Afghanistan to be rich in minerals, including copper and iron and precious and semi-precious stones. Mining-based development is thus a viable alternative to a drug-based economy. Second, Afghanistan is the source of significant flows of water to its neighbors, yet it harnesses only 10 percent of the water supply for irrigation and power generation. In a period of global warming, sustainable use of water for the generation of energy, the provision of drinking water, and as an input to agriculture and industry could be a major asset both to Afghanistan and its neighbors. Third, Afghanistan has immense potential for agriculture and for centuries was the source of famed exports of fruit and nuts to India and the Middle East. Investing in agriculture to change rural incomes from \$1 to \$4 a day—the economic tipping point for drug production to become

unprofitable—is therefore a realistic objective. The experience of the western United States in the 1950s to 1970s and that of East Asia in the same period provide a range of options that can be pursued in Afghanistan.

Location

Afghanistan's location can turn it into a land bridge between Central Asia, Gulf countries, South Asia, and China. Pipelines can deliver central Asia's and Afghanistan's gas, as revealed by the geological survey, to south Asia. Water transfers could be equally substantial, as Iran is interested in developing water and oil exchange systems with Afghanistan and its neighboring central Asian republics. The potential for transit is also significant. Uzbekistan produces 800,000 tons of cotton a year, which currently travels through several countries, incurring significant transit fees, to reach the port of Riga for international distribution. Pakistan, by contrast, imports around 2.2 million bales of cotton a year for its expanding textile industry.¹⁶ Investing in the right supply chains could enhance regional integration, increase Uzbek and Afghan government revenues, and reduce costs in Pakistan.

Afghanistan could also be the lynchpin for novel forms of cooperative border management. The border with Tajikistan, heavily armed during the Soviet period, is now a line of cooperation, with bridges built by the Aga Khan Foundation facilitating cross-border trade and other exchanges, including the use of Tajik hospitals by Afghans. Afghanistan's topography makes cross-border interactions difficult in places, but this could provide the basis for further expansion and a model for border management elsewhere.

Financial capital

The dominance of poverty should not hide the money in the country. Many individuals have

amassed massive amounts of money since 2001, and the wealth of Afghans in the diaspora runs into billions of dollars. The main obstacles to mobilizing this money are governance and the absence of financial architecture. Afghans in Iran alone remit an estimated at \$500 million annually,¹⁷ while total remittances reached nearly \$2.5 billion in 2006.¹⁸ These sums enable the recipients to improve their consumption, but there are few instruments to harness the money for improving production.

Afghans living in the Gulf, Pakistan, Russia, Europe, and the United States have shown serious interest in investing in their country. Corruption, insecurity, and the absence of credible laws and policies, however, have deprived the country of the opportunity, and the flow of money has instead travelled in the opposite direction. Billions of dollars leave Afghanistan every year for the Gulf and other safer havens.

The emergence of the construction industry shows that legitimate wealth can be generated and expanded. Thanks to international spending, Afghan firms have emerged to compete successfully against regional and international firms. The construction industry is the first manifestation of a sector with specialization in an expanding value chain. Leasing and project design, for instance, have become specialized niches for some firms while others specialized in transport. The availability of money is not confined to Kabul. Exports of dry and fresh fruits are also expanding and becoming more organized, earning \$144 million in the first three quarters of the Afghan fiscal year ending March 21, 2009.¹⁹ Precious stones from Afghanistan are sold on eBay, with emeralds from Panjshir fetching prices as high as several hundred thousand dollars. A unique feature of

16. USDA Foreign Agricultural Service 2009, p. 1.

17. UN News Center 2008.

18. IFAD 2007.

19. As reported by the Afghanistan Ministry of Commerce in *Rahe-Nejat* in March 2009.

the current situation is the widespread availability of money across the country. With good governance and the right financial architecture, that money can be harnessed for sustainable development.

Institutional successes

Getting the design right has been critical to institutional success. Politically, the relevance of this approach has been demonstrated through the implementation of the Bonn Agreement. Developmentally, the proof is in the success of national programs from 2002–04 bearing results in areas ranging from the national army to rural development. In both cases the operating assumption has been the high demand of the Afghan population for good governance.

The Bonn agreement, as Ambassador Brahim, the Special Representative of the Secretary General of the UN for Afghanistan at the time, repeatedly stated, was arrived at by an unrepresentative group of Afghans to create a legitimate government. To ensure a fair process, temporal benchmarks were set for transferring power to an interim administration, convening an emergency Loya Jirga (grand council) to elect the head of state and key officials of a transitional government, convening a constitutional commission to write a constitution, convening a constitutional Loya Jirga to debate and approve the draft constitution, and holding direct presidential elections and parliamentary elections. As each phase involved the participation of a broader range of stakeholders within clear rules, the process generated legitimacy and nurtured hope among the population that the government would become more transparent and accountable. Despite the dire predictions of international and domestic observers, the Bonn Process was guided to a successful conclusion by the collaboration of Afghan and international actors. Participation in the presidential elections was both massive and enthusiastic, thereby providing President Karzai with a

mandate to guide the country toward stability. The current frustrations result from disappointment over the failure to fulfill this mandate.

The political process was matched by an ambitious but pragmatic agenda for building the functions of the state at the appropriate levels and creating mechanisms for Afghan participation allowing the Afghan people to govern themselves directly. The key innovation was the national programs, which brought about a specific design for a social compact between the people and the government. The national programs aimed to enable a government to perform a state function throughout its territory effectively and transparently by mobilizing relevant forces—government, the private sector, and civil society—to execute critical tasks. The process sought to deliver results and build domestic capabilities in the light of medium- to long-term goals.

The Afghanistan Reconstruction Trust Fund, which pooled donors' funds, was critical for redistributive programs. Managed by the World Bank and created in 2002, the Fund supported the Afghan system of national accountability, as funds could be used only to reimburse eligible government expenditure and were monitored through robust auditing procedures. Combined with an Afghan-driven program of reform that secured policy loans from the World Bank and Asian Development Bank, this led to significant reform of the fiscal and monetary institutions during 2002–04. Simultaneously, an International Monetary Fund Staff Monitored Program was agreed on for revenue mobilization and the effectiveness of expenditure.

Afghan public finance thus became the driver for building good governance across sectors and levels of government. Observers agreed that the country was making significant progress on transparency and accountability. The gains through this approach enabled a partnership with the international community to formulate the Securing Afghanistan's Future

strategy²⁰ after thorough evaluation by donors and partners. Key to the success of the Afghanistan Reconstruction Trust Fund and the Afghanistan Compact, arrived at between the government and donors in London in 2006,²¹ was a well calibrated sequence of reforms delivered through national programs and implemented gradually yet systematically to change the governance of the country.

As long as new national programs were being formulated and implemented, coordination improved because these programs systematically addressed transparency and accountability in managing resources long before the international community demanded them. These programs include:

- *Afghan National Army*. Support for the army exemplifies an integrated approach for mentoring, training, and embedding international personnel within Afghan institutions. The Afghan government had hard political work of demobilizing a militia estimated at 400,000 in 2002, reducing it to 12,000 by December 2004. The United States provided the funding and assigned an impressive group of senior officers, led by Lieutenant General Karl Eikenberry, to train and mentor the new army. Soldiers and officers were recruited using clear criteria and from all the ethnic and linguistic groups. American officers continued to be embedded in units to ensure adherence by officers to the constitutional order and national rules of conduct.
- *National Solidarity Program*. Government-led, the program provides block grants to villages across Afghanistan, empowering

communities to identify reconstruction and development priorities and implement projects in response. A key advantage is simplicity. To be eligible for a grant, villages must fulfill three basic criteria. The women and men of the village must elect a village Community Development Council. A quorum of the village must meet to reach consensus on priority projects. And accounts must be posted in a public place. The program is rare in enjoying both uniform popular support and repeated endorsements of its credibility and accountability by monitoring systems of the international community. Having reached more than 20,000 villages across every province, it is truly national in scale. World Bank President Robert Zoellick has drawn attention to the success of this program in various speeches and pointed to it as a model to be copied in other developing countries.²²

- *National Telecoms Program*. At the heart of the National Communications Program was a strategy of transparent licensing of telecoms, which resulted in awards of two licenses in 2002–03 followed by two further licenses in 2006. When this program began in 2002, there were only 100 mobile phones in the country, courtesy of the United Nations. At the beginning of 2009, the number of subscriptions had risen to about 8 million, and by the end of 2008 telecoms companies had contributed a significant amount to domestic revenue. This program had resulted in more than \$1 billion in private investments by the end of 2008.²³ Licensing and procurement can thus be managed transparently in a postconflict country.
- *Health*. A national focus on preventive medicine entailed restructuring the Ministry of Health into a regulator and contracting with

20. Government of Afghanistan 2004.

21. See the Afghanistan Compact agreed on by the Islamic Republic of Afghanistan and the international community at the London Conference, January 31 to February 1, 2006 (www.fco.gov.uk/resources/en/pdf/3036656/afghanistan-compact).

22. See www.nspafghanistan.org.

23. See www.mcit.gov.af/.

nongovernmental organizations for service provisions, supported by the European Union, United States Agency for International Development, and the World Bank. The outcome was a double-digit reduction of child mortality and immunization for all children across the country.

- *Fiscal and monetary policy.* The National Accountability and Transparency Program transformed public finances. It began with one of the fastest ever changes in currency, followed by overhaul of the budget process, the treasury, revenue collecting, expenditure monitoring, and the banking system. The changes were driven by timely and detailed reports on revenue and expenditure to the Cabinet, to the national delegates at the Constitutional Loya Jirgas, and to the media and the public, backed by improved accounting and auditing.

Each program created a network of relationships and stakeholders with a vested interest in moving Afghanistan toward prosperity and stability, simultaneously demonstrating to citizens that the government was successively and coherently addressing their needs. Combined, the programs began to create a network of rights and obligations between citizens and government, citizens and firms, and firms and the government—giving the country a real chance at internally generated development. When progress in Afghanistan is cited, reference is inevitably made to the results of the national program approach. Progress depended on new programs. But the government abandoned the approach in 2005, without offering an alternative vision and donors reverted to their established ways of outsourcing development to contractors. Even so, the lessons from the successful national programs provide a platform for launching new programs.

Afghanistan's unitary system of governance, with most subnational government officials

appointed rather than elected, could also be an asset in counter-insurgency. Key officials in all provinces and most districts can be changed by edict. Reform, therefore, is more a matter of political will for the President and Cabinet than detailed subnational negotiations. Perhaps most important, the Constitution provides a clear mechanism for orderly changes in leadership. Afghan presidents are elected by direct universal suffrage, and the presidential elections set for August 20 provide the first opportunity for the Afghan population to elect an incumbent or choose a new leader. Parliamentary elections in 2010 provide the same opportunity for change or continuity in members of the legislative branch.

Human capital

The human capital of the country, while underdeveloped, is sufficient to support transformation.

- National programs provide an arena for leaders and managers to emerge, get sectoral knowledge, and acquire firsthand knowledge of the requirements and organizational culture of international partners.
- The expanding media—oral, print, and visual—provides a career path for younger Afghans. The technicians attending to the media infrastructure are all Afghans.
- Seeing skills as the key to a career path, younger generations are availing themselves of every opportunity to acquire or improve them. Knowledge of computers and English, prerequisites to any job with international actors, has been expanding steadily. Private institutions have stepped in to fill the vacuum left by the state's failure to reform higher education. Willingness to pay indicates the value placed on earning potential.
- The Afghan contracting industry has been the outlet for workers to acquire vocational

skills and the arena for developing capacity for project management.

- Thousands of Afghans working for the civilian and military sectors of the international community form a significant talent pool, recruited largely through merit rather than patronage.
- Thousands of Afghans working for non-governmental organizations or running grassroots civil society organizations have been acquiring both technical and managerial skills.

So, the absence of skills, a genuine problem in 2002, is not the issue—it is the deployment of skills. National programs owe their success to design through tailoring and stitching. To tailor is to take the context carefully into account yet use rules and resources to change the playing field and empower new actors to become stakeholders in the system. To stitch is to carefully assess the capabilities in the country and to forge partnerships for the maximum use of existing capabilities for achieving a program goal. Contracting nongovernmental organizations to facilitate the formation of elected village councils and to deliver public health services are examples of tailoring and stitching. If the expanded but scattered and fragmented capabilities in the country were used within a coherent and systematic agenda of reform, momentum could be regained quickly.

International assets

The convening power of the international community is an asset. Beginning with Tokyo in 2002, international conferences have been hosted in Oslo, Brussels, Dubai, Berlin, Bishkek, London, and Paris. Gathering at the high levels of decisionmaking, the Afghan government and its international partners have reviewed the conditions and pledged resources for the country's development.

Among the most successful international interventions have been the Overseas Private Investment Corporation's guarantee instruments for American investors and businesses, which have led to more than \$1 billion in guarantees in Afghanistan since 2001. Providing guarantees for investment in Afghanistan was a novel experiment in 2002, but thanks to its success, the Corporation has extended guarantees to five other postconflict countries.

Many other countries and organizations, such as the World Bank, have programs similar to those of the Overseas Private Investment Corporation and could encourage firms to mobilize resources outside the traditional aid system to help solve Afghanistan's problems. An even bolder step would be to design financial instruments that would provide guarantees for Afghan investors to invest in Afghanistan. Such a step, truly transformative, would enable Afghan entrepreneurs to look at risk management from a completely different perspective. Guarantees could also be used to persuade some of the leading agricultural, mining, and service firms in Organisation for Economic Co-operation and Development countries to invest in Afghanistan or partner with Afghan entrepreneurs. Groups like Business Executives for National Security could be the organizational vehicle for mobilizing such firms.²⁴

Green instruments and financing could also mobilize resources to underwrite hydropower and alternative energies such as wind and solar power. Trade has immense potential for developing the Afghan economy, with NATO countries an important market for Afghanistan's agricultural produce. Translating the policy of buying "Afghan First" into partnerships with major international firms that have intricate knowledge of quality standards and value chains could provide the impetus for export-oriented agriculture. Afghanistan is at the center of 3 billion potential consumers in China,

24. See www.bens.org.

India, the Gulf, and Europe. A systematic approach developing the physical and human infrastructure to take advantage of these markets could produce peace and prosperity.

Resources from the aid system are also a big asset. The key is not necessarily more aid but more effective aid. If thousands of separate contracts were regrouped into a series of core programs to be jointly managed for maximum transparency and accountability by Afghans and international staff, there could be a more visible impact from spending resources on the ground.

Most significant of the international assets is the commitment of NATO troops, reinforced by the recent commitment of a further 17,000 U.S. troops. Parents and leaders in troop-contributing countries accept the risk of putting their children and citizens in harm's way. This is an immense commitment in both value and resources—the current spending by NATO and Coalition forces is at about \$20 billion a month.

Institution-building

Tailoring a strategy to the context requires breaking institution-building in Afghanistan into four sequential blocks—focusing on first order, second order, third order and fourth order functions. This differentiation allows for setting priorities. It does not indicate that functions are more or less important, only that given the current context, performing some functions is more necessary in the near term to ensuring the basis for further reform over the medium and long terms. Throughout, donors and the different levels of government must align to reinforce the whole, carefully considering the rules and functions of government at each level.

First-order core functions

Law and order. The urgent need to contain and eliminate threats puts law and order at the top

of the list of institutional priorities. An Afghan state that can control its territory and ensure that it cannot be used for launching terrorist attacks is in Afghan, U.S., and global interests. This issue has commonly been framed in terms of security institutions, but sustainability requires that it be framed in terms of law and order. The international community must become the catalyst for an effective security sector. The argument should not be whether more international troops are necessary (they are) but how exactly these troops can best train the Afghan National Army to take over responsibilities for security effectively and quickly.

The creation and expansion of the army sets an institutional foundation within the framework of law and order. The approach to police, by contrast, was not based on such principles, and investments have actually been counter-productive. For the population to rally to the cause of the government and the international community, the Afghan security institutions must embody the rule of law. A law and order approach, as Thompson long ago pointed out in his classic work on counter-insurgency, is essential to establishing a government's credentials for behavior according to norms and rules.²⁵ Commitment to legality amounts not to renouncing the use of force but to using it within a clear space defined by strict rules so that both the government and public understand when and how force is drawn on.

Within this framework, aligning four institutions of law and order becomes important. First, the success of the army allows for its expansion, provided there is a 15–20 year international financial commitment for meeting its expenses. If the army is to assume the key role in counter-insurgency, its doctrine, training, and capabilities will have to change substantially. A major change will be at the officer rank: appointments and promotions in the future must be based

25. Thompson 1966/2005, p. 68.

strictly on transparent meritocratic criteria while adhering to standards that ensure recruitment from all linguistic groups in the country. A latent asset that can ease the army's expansion and reorientation is the group of 125,000 demobilized officers, many of them trained in counter-insurgency tactics during the Soviet occupation. A careful review of the records of these officers for their professional knowledge and adherence to standards of human rights could result in the recruitment of an officer class with excellent first-hand knowledge of the country's terrain and conditions and that could strengthen command and control structures.

With intelligence vital to successful counter-insurgency efforts, investments and upgrades can produce intelligence service that is trusted by the population. The director-general of the Afghan intelligence services has the respect of a broad spectrum of Afghan and international actors. But unlike the army and the police, the intelligence service has not yet been publicly reviewed. A professional review of the organization and the creation of mechanisms for civilian supervision to ensure its effectiveness and accountability can enable the Afghan state to begin to control its territory.

Police reform has been the most problematic area of the security sector. If the police are to be the public face of law and order, radical reform is necessary. The army shows what needs to be done. Both staff and officers need to be recruited using transparent criteria across all linguistic groups and be subject to intensive training. Whenever possible, international officers should be embedded in police units and joint operations conducted with the police and army. While full reform of the police will require one to two decades, the many demobilized officers and the many young men and women unable to attend universities provide the grounds for recruitment.

Mechanisms for community policing in urban areas and some rural areas could be feasible

if designed carefully. Security experts agree that the best way to deny the use of Afghanistan's territory for terrorist activities is to use international forces to train and mentor the Afghan institutions of law and order. This approach addresses sustainability through front-loading support in the short and medium terms to reduce and eventually eliminate the need for long-term international security forces in Afghanistan. The key issue, yet to be addressed, is affordability. Afghanistan's current revenue of under \$900 million a year is not sufficient to pay for the operation and maintenance costs of an army of 134,000, not to mention the police and intelligence forces.

To legitimize the security institutions, the law must receive equal attention. While consolidating the rule of law will take much time and effort, special courts and other mechanisms of accountability, such as ombudsmen and citizen's committees, could be created to investigate complaints about the security sector and offer citizens credible proof that these institutions aim to protect them. Swift responses to predatory behavior by security institutions would enhance the legitimacy of the government. A rule-bound approach to law and order establishes and then honestly maintains "do's and don'ts" for lawmakers, law enforcers, and law breakers—and supports a clear set of citizenship rights and responsibilities that can be enacted and if necessary enforced through the law. Order cannot be consolidated unless the security sector becomes the magnet for channeling centripetal forces. Failure to articulate and implement this goal has made the police an instrument for reinforcing centrifugal forces. Framing security in law and order terms will actually mean a decline in the use of force, not an increase.

Public finance. With affordability as the ultimate test of feasibility, public finance must also be dealt with as a first order institutional priority. Four key sets of actions can institutionalize

public finance as the foundation of a state that can perform its core functions.

First, customs is the dominant source of revenue for the government, but up to half of the potential revenue is lost through poor management or abuse by the police and local strongmen. A systematic approach combining clear and transparent rules, rigorous enforcement, and a credible mechanism for resolution of legitimate claims of merchants can substantially reduce corruption and enhance public revenue.

Second, implementation of the 2002–04 reform agenda for the national accountability system can make government revenue and expenditure transparent. Success in reforms, ranging from banking to budget, customs, and treasury, shows that donors are willing to put resources through the government system if they trust the commitment to accountability and transparency.

Third, following the successful example of the National Solidarity Program, budgetary mechanisms should be devised to provide predictable resources, with decision rights and clear criteria for accountability, to each level of the government: village, district, municipality, province, and central government. To ensure maximum use of resources, performance at each level of governance can be benchmarked against the others, with mechanisms for disclosure and citizen-monitoring, such as citizen scorecards. The widespread availability of cell phones also allows for a level of citizen participation and scrutiny of revenue and expenditure that was previously impossible—a major impetus for accountability and effectiveness.

Fourth, a medium to long-term revenue mobilization framework would force the government to arrive at clear priorities for growing the economy. The budget must become the key instrument of policymaking, bringing the tradeoffs between different ways of balancing

revenue and expenditure within a coherent framework.

The approach to the telecoms sector, described below, increased private investment, made service delivery competitive, and yielded considerable tax revenues for the government. The same mechanism can be pursued in other sectors, transforming each into an arena for new stakeholders and new forms of cooperation among the public, private, and community actors. Licenses for mining would be the top priority, since the award of contracts for extractive industries alone could quadruple the government revenues within 10 years. Enforceable property rights, again, will unleash the potential of city dwellers and rural Afghans to operate in functioning legal markets.

Administrative control. An administrative system turns a territory into a hierarchically national space. Rules define both the functions of the government and the level of governance for performing a particular function in a particular manner. The rules defining the decision rights or authority at each level of government are critical to efficiency, participation, and legitimacy. Greater effectiveness in performing these functions at different levels produces trust between citizens and the state and consolidates the sense of belonging to a national space for upward social mobility.

In Afghanistan the administrative sphere is by and large an instrument for the abuse of public authority for private gain. While the institutions of law and order can clear a space from insurgents, they alone cannot govern or develop that space. Creating momentum for governing the country's territory will require an overhaul of the administrative system. Four sets of changes are again important.

First, the state's core functions must be clearly specified, with credible mechanism for periodic review, and the government organization

chart must be changed to eliminate bureaucratic overlap.

Second, clear criteria for the division of the country into provinces, municipalities, and districts must be devised, and the type of functions at each level clarified. Given the differences in the intensity of the insurgency and the nature of threats, a short-term flexible approach in the classification of districts and provinces is important. Approaches tailored to specific contexts can win people over from the insurgency and mobilize them to protect their own assets. Municipalities in general and Kabul municipality in particular (popularly referred to as “the house of loot”) are among the most corrupt organizations in the country. Understandably, this fuels discontent with the government. Secure property rights are the lynchpin here. The rights are well enshrined in Islamic law, but in practice have come under severe strain as a result of disputes from decades of conflicts and outdated urban master plans that have forced many people into informal living arrangements. Providing the urban population with firm property rights, easily verified through computerized systems, could unleash hundreds of millions of dollars of investment by the people and transform Afghans into stakeholders in good governance.

Third, the administrative division of Afghanistan does not reflect its natural configuration, as neither rivers nor minerals coincide with subnational administrative boundaries. Effective use of the natural capital requires delineating special economic zones to maximize program and project effectiveness in appropriate administrative divisions within the larger framework.

And fourth, the administration needs capable staff. Most civil servants are in their fifties and eligible for retirement within the next 5 to 10 years. This group of civil servants understands and strongly identifies with the organizational

structure and culture of Afghanistan’s unitary state. Due to enormous differences in the pay of international organizations and nongovernmental organizations, there has been a steady brain drain from the civil service. Ethnic politics and refusals to pursue a systematic agenda of reform have turned corruption into a brazen system. The key to change lies in recruiting 3,000 top civil servants. A fraction of resources currently used on international advisors and technical assistance could be used to recruit top civil servants with performance-based salaries competitive with nongovernmental organizations and international organizations. Furthermore, social justice and stability require innovative retraining and retirement of the current civil servants to enable them to earn a decent livelihood outside government in the private sector.

Human capital. Putting people first is the key to winning the conflict. The Afghan people are a constituency in waiting to be claimed either for securing the future or for exploiting ethnic hatred. The goals and means for forming human capital will dictate which prevails.

The initial goals for human capital need not be ambitious. Elevating the standards of seven universities could help them produce people who see their futures as tied to the success of global cooperation and dialogue with the West. One month of NATO’s current military expenditure could change the prospects of five generations of young Afghan men and women, creating agents of stability and prosperity for Afghanistan and the region.

For vocational and higher education, investments need to be part of a systematic 10-year human development plan to develop specific management and leadership capabilities and the vocational skills to turn latent assets into sources of prosperity. Such a human development strategy must meet the needs of the public, private, civil, and community sectors. Each

has a role in securing Afghanistan's future. And the keys to cooperation are the mental models, work ethics, and moral commitments of the men and women who will staff and lead them. Global experience indicates that cross-cutting ties formed in schools and universities are among the most enduring sources of trust—or distrust. So, human development should be treated not just as a technical domain, but as a political vision of hope and trust-building.

Second-order functions

Market-building. Unemployed youth provide the reserve pool for both the insurgency and the narcotics industry. A law and order approach is necessary but not sufficient to deal with these twin threats. The definition of a Talib, according to leading members of Afghan civil society who several years ago conducted a survey of around 600,000 Afghans in the country's south, is an unemployed youth. Afghanistan has one of the fastest rates of demographic growth, making it among the five youngest countries in the world. An estimated 71 percent of the population is below 30 years old, and the country will need at least 9 percent annual GDP growth to merely contain the impact of this demographic growth. With significant unemployment, the burden falls heavily on the youth. Hundreds of thousands of young people from the north and center of the country, which have been relatively stable, are flooding cities or desperately seeking to get into Iran and beyond. Of the estimated 2.5 million Afghan refugees in Iran, nearly 1.5 million are considered economic refugees and thus not covered by agreements for the protection of displaced people. Failure of the Afghan government and the international community to treat job creation as a task that has multiplicative effects for security, political stability, and economic growth has thus had serious implications. The approach advocated here brings both state-building and market-building together to address this issue. A goal, such as the creation of 1 million jobs in two years, could focus

the attention of all stakeholders on this critical issue and force an examination of all existing institutional and environmental constraints, allowing the formulation of clear approaches that remove constraints and grasp opportunities. Creating market institutions geared initially toward agriculture, mining, and construction could provide the impetus to sustainable job creation.

Agriculture. While the National Solidarity Program has been a success, agriculture has been neglected. The transformation of agriculture in East Asia from the 1950s to 1970s and in the United States from the 1950s to 1980s provides models for dynamic and competitive agriculture. But neither the Afghan government nor its international partners have drawn on these models to design and implement a comprehensive agricultural development strategy. A bold approach is needed—beginning with market access and working backward through value chains, supply chains, knowledge organizations, and infrastructure, both human and physical, to ensure that rural incomes per capita could increase from \$1 a \$4 a day, the tipping point for opium production to become unprofitable.

Launching Afghanistan's agriculture on a truly sustainable path can best be achieved by opening up the EU market for Afghan agriculture. As one of the poorest countries in the world, Afghanistan is eligible for some concessional trade benefits. But to overcome the obstacles of quality standards and seasonality, a Europe-wide policy for Afghanistan could harness the ecological diversity of Afghanistan to satisfy the demands of the European market. Transport is a constraint in the short term. But NATO can help. It has contracted out the transport of its cargo to non-Afghan firms, whose planes arrive in Afghanistan full of goods, then fly back empty. If a portion of the cargo space were contracted to Afghan entrepreneurs, they could transport agricultural produce to the Gulf on

NATO planes at nominal or no cost. This would open access to the global supply network from the Gulf.

Modern agriculture is a knowledge system, so the institutional network ranging from agricultural colleges to soil maps for crop and water management needs to be put in place. The U.S. and Canadian experience from the 1950s to 1970s and the East Asian experience from the 1950s to 1980s, heavily supported by the United States, provide models that, with modern information management systems, could create the necessary support structures. Land grant colleges in the United States and agricultural schools in Canada and Europe can be an important source of knowledge and support for such an approach.

Corporations specializing in agricultural value chains have the knowledge of risks and the capacity for devising and implementing risk management systems for value chains and forward and backward linkages. Special incentives for these corporations, particularly through drawing on special risk guarantee instruments and other tools, could save years of trial and error by the agricultural consulting industry. Investment in power is also critical to export-oriented agriculture. Given Afghanistan's immense hydroelectric potential, power from small, medium and large hydroprojects could give rural Afghans the ability to create cold storage and processing facilities. Such infrastructure would increase the lifespan of products and change the relationship with the market from one of seasonality to one of supply and demand.

A new financial architecture can provide credit, insurance, risk guarantees, and other services required by a modern agricultural system. While microfinance has received justifiable attention, changing rural incomes per capita from \$1 a day to \$2 does not provide a legitimate alternative to narcotics. Attention to other finance is therefore essential for tapping Afghan

finances and creating the instruments for entrepreneurial activity to focus on agriculture.

Poppy is a predominantly male-produced crop, with women's labor focused on horticulture, animal husbandry, and textiles. Most female labor is not commoditized, so creating jobs tailored to women, such as textile design through value chains, could boost rural incomes. A prerequisite for harnessing women's labor, again, is power, as it reduces the time spent on household tasks such as cooking.

Mining. Mining can be another alternative to narcotics. Afghanistan's geology has immense potential for growth. The country possesses some of the world's largest copper and iron mines and is rich in natural gas, minerals valuable for industrial and postindustrial uses, and precious and semiprecious stones. The marble deposits alone are of such magnitude and diversity that with the right infrastructure these could make Afghanistan a significant player in the global construction industry.

A unique feature of the geology is its distribution across the length and breadth of the country. While the natural gas deposits in the north are proven, the likelihood of significant deposits in the south could avoid pipeline construction and allow for the construction of a transport network based on natural gas. Valleys along the Hindu Kush, among the poorest areas of the country, have rich mineral resources that could support sustainable centers of growth.

The transformative potential of mining cannot be realized without again facing the centrality of institutions and good governance. Required first is a licensing framework that draws on the best lessons of the Extractive Industries Transparency Initiative, accompanied by credible enforcement mechanisms. Since contracts are legally binding, Afghanistan will need dedicated legal advice to level the negotiating field with powerful companies and countries that may be

interested in investing in the short term. In the medium term Afghans with legal skills will be needed for negotiations and contract enforcement to ensure the best use of natural capital, realizing revenue for the state and jobs for the people.

To ensure the trust of investors, short-term mechanisms are needed for binding arbitration and collecting fines or damages in the event of arbitrary changes in policies or contractual obligations by the Afghan government. In the medium to long term credible mechanisms of arbitration and judicial enforcement in-country will be essential. To mobilize domestic and foreign capital, risk guarantee instruments must cover a range of political and financial risks. To manage natural resources as a driver of development, people with the knowledge to lead and manage a mining-based economy will have to be identified early. As in agriculture, the knowledge institutions that open career paths for the next generation can create stakeholders in the system and increase Afghan ownership of the process. And again, mining depends on reliable power (see under infrastructure below).

Construction. The construction industry is the third driver of job creation and sustainable growth. Around 2,000 Afghan firms have been registered with the government. About 200 of them are judged by experts to have the capacity to form the core of competitive domestic construction. And thanks to special nurturing by Canadian experts, around 15 Afghan construction companies have made real progress in road-building, registering substantial growth through investments in capabilities. So, few institutional changes by the international community could massively increase the capabilities of the Afghan construction industry.

These changes could include agreeing on a single construction code for the country, creating a central procurement authority and a unified

contracting system, and jointly pooling financial resources among donors in general and U.S. government agencies in particular. Such a system would remove the current complexity and ensure that the contracting chain has no more than two links.

An Afghan operating enterprise along the models of the UN Office for Project Services or the Singapore Housing Authority should have the track record and the abilities to qualify for Asian Development Bank, World Bank, and other donor contracts. To short-cut the creation of such an organization, the Afghan government could purchase an international construction company managed by qualified international staff while Afghans are trained rigorously to take management positions through strict meritocratic criteria. While the Afghan Office for Project Services would design large infrastructure projects, between 7 and 10 subnational companies could carry out project supervision. To ensure that the Afghan construction industry can meet construction standards, an association of Afghan contractors would ensure quality and enforce standards.

An Afghan construction corps could provide the labor pool and security arrangements for the infrastructure projects. Afghans have a knowledge and understanding of labor corps from the 1950s to 1980s. The demobilized officers could be the managers of such a labor corps and assume responsibility for security. Today, about half the costs of some infrastructure projects are payments to security firms. A labor corps providing jobs and security would signal that the legitimate use of force is being concentrated within state institutions, gaining the people's trust. With the institutional arrangements in place, the construction of 200 medium-size dams, 200,000 housing units, and 20,000 kilometers of roads to link farms to markets could provide the visible progress and effective use of resources.

A national urban development program could address urban issues and good governance for metropolitan spaces. Contrary to popular belief that Afghanistan is a highly rural country, a third of the Afghans live in cities. But those that live in these areas live with uncertain property rights; cities must become a space of good governance through an urban version of the National Solidarity Program concentrating on neighborhoods. Kabul has received more than \$3 billion in private investment since 2001. But with no coherent approach to property rights or urban planning, the city remains underdeveloped and insecure. The heart of the problem is a misalignment between property rights and housing stocks. A plan to regenerate the city must be based on providing housing through public-private partnerships and spatial planning that creates synergies between Kabul and surrounding provinces.

The shortage of housing and high prices could be mitigated if the government owned land and if land classified as agricultural became available for the new housing. A program—based on increased citizen participation, urban security, and a solid municipality revenue base—could become the ground for tackling corruption and providing affordable housing, a key to reducing incentives for corruption. Capacity exists in the construction industry, and this program could spur a second round of growth.

Third-order functions

Infrastructure. Afghanistan must consolidate its territory, harness space, and release market forces. Indeed, opening central Afghanistan is critical for equity—there is only 1 kilometer of paved roads in Bamiyan province, breeding discontent and a sense of injustice. Progress in road building has been significant, though at very high cost due to the preference for a project-based rather than system-based approach. The ring road, for instance, is the most important means of integrating the country spatially.

But its segments have been financed by various donors without coordinating standards, efficiency, operation, maintenance, or toll collection. The cost of construction been several times that in neighboring countries, and the program is yet to be completed.

With a systematic approach, gains could have been considerable—through better design, supply chain coordination, and contracting against medium-term delivery of aid. There would have been quick recognition of road construction capabilities in Uzbekistan (14,000 highway engineers and \$100 million in German-made equipment). Mazar and Herat could have been linked within one year using this capacity, and the government could have struck a deal with Iran on asphalt, reducing construction costs. More broadly, providing Afghanistan with the infrastructure for a competitive economy requires a medium-term planning horizon for the use of key materials through long-term contracts with suppliers and through investments to transform natural capital into cement and steel.

Power can be mobilized through small, medium, and large hydroelectric projects and wind and solar investments. Innovation in design is again important, and capacity is needed to implement projects in new ways—through public-private partnerships, for example. Water is the key constraint in agriculture, but inland water can be harnessed, and community assets can be protected. As mentioned, only 10 percent of Afghanistan's water is currently harnessed for productive purposes, so creating the institutional capacity to manage water sustainably is part of a coherent human development strategy and the rule of law. Water has been managed for millennia through sophisticated community management; the key is to build on rather than bureaucratize managerial systems.

Information and communication technology can both provide jobs and serve as the platform for growth of other sectors. The telecom sector,

thanks to transparent licensing, has shown that the private sector can make handsome profits, provide services, and generate revenue for the government. It has also opened a new career path for capable Afghan men and women. Investing in education infrastructure for information and communications technologies could, therefore, spur growth in the legal economy. With Internet access essential to empowering the population, Afghanistan should become the first to create a cloud over the entire country, a pioneer in creating the new commons. The revenue losses from opening access to the Internet would be more than offset by the gains in economic growth and social integration.

Social policy. An estimated 80 percent of Afghans live on less than \$1 a day. Redistribution is necessary to assist this vast but vulnerable segment of the population, but lifting the people out of poverty will require mechanisms that transform wealth redistribution into wealth generation. The affordability of social policy was confronted squarely in the 2002–04, and the model devised was to build the social and institutional capital of rural Afghanistan through the National Solidarity Program (NSP). The provision of \$20,000–60,000 block grants to villages, depending on population size, has created the institutional platform for more wealth-generating programs. The key is to use the NSP platform for transforming villages into rural enterprises by providing them with the knowledge, property rights, organized credit, and value chain and supply chains to link them with national, regional, and global markets. Depending on their locations, these enterprises can focus on sectors ranging from agriculture and horticulture to mining and herbal medicines.

While the creation of rural enterprises will improve the lives of many rural Afghans, attending to some of the most vulnerable categories of Afghans will require an activist social policy. Widows, the disabled, orphans, uprooted

nomads, expelled refugees, and internally displaced people require special support mechanisms. To ensure sustainability, these programs will have to be made affordable through careful design and implementation, drawing on global experience over the past 60 years.

Fourth-order functions

Public borrowing. Responsible domestic and international borrowing will be critical to Afghanistan's recovery. Donors will not move away from parallel systems and project implementation units and toward support for Afghan systems if those systems are not robust and sustainable. The budget is the key instrument of policymaking, and funding outside the budget undermines national stability and effectiveness. Donors should thus carry out a comprehensive joint review of the Afghan public finance system and agree to fund a national program for strengthening the national system of accountability through specified policies and benchmarks. The Office of Technical Assistance in the Department of the Treasury, for example, has the capacity to develop a clear, sequenced plan for creating a credible Afghan public finance system, both national and subnational. This system could be developed through burden-sharing with other partners, including the World Bank. Lessons from the Afghan Reconstruction Trust Fund could be shared and used to develop that system.

Managing public assets. Afghanistan's forward movement will depend on effective management of public, cultural, and environmental assets. A credible system is needed for awarding contracts for natural resources. Competent international advice on the contractual arrangements for the complex mining, oil, and gas sectors will help avoid litigation or corrupt practices. The urgency of developing the new revenue streams demands wholesale changes to the government organizations responsible for these sectors and possibly the creation of an

international ombudsman to credibly investigate allegations of corruption.

A reputation for innovative and transparent managing of public assets will underpin success in using public borrowing in public finance. Since the rules of the current systems of public finance are based on restricted definitions of revenue and expenditure, they do not provide a true balance sheet of the effectiveness of public assets. Three examples make the point:

- First, the quality of imported fuel in Afghanistan is among the poorest in the world, with leaded fuel and gasoline with an octane level below 60 routinely imported into the country. But the public health costs, the impact on the lifespan of engines, and the quality of air are nowhere reflected in reporting processes or evaluations.
- Second, to preserve its forests, the Afghan government banned tree-cutting and the sell of forest products, but the ban has become a vehicle for profit-making by a select group of government officials and smugglers. Government officials obtain exemptions that are then sold to private interests or collude with the smugglers to sell the wood to Pakistani dealers. The adverse impact on soil erosion, the weather cycles, and the frequency of floods or drought is again nowhere reflected in national accounts.
- Third, the potential of spectrum management is another example of the absent framework for public assets. While telecom licensing has been a great success, licensing the Internet has been opaque. An Internet subscription in Kabul costs around \$400, far too expensive for the majority of the population.

Effective regulation is critical for legitimate wealth creation and protecting the public

interest. A landlocked country burdened with a history of natural disasters has to tailor its regulatory regime to its context. In some areas the regulatory function of the state has to be radically simplified, and enforcement mechanisms have to be overhauled, with property rights the most important. Creating new assets, formalizing informal assets, and settling disputes over titles can reduce corruption and create jobs. Rural assets can be created by bringing fresh lands under irrigation through water management techniques, dam-building, and irrigation canal improvements. Urban property can be created through house-building and investments in sites and services, where the people build the structure, but the government provides the land plots and infrastructure. Informal settlements can be formalized by ensuring that communities agree on adjusting their existing unplanned plots to allow for construction of infrastructure such as roads and sewage and accommodation. Practiced in Japan over a century and then adopted by several East Asian tigers during their modernization, this method is being spontaneously devised by urban communities in Kabul. Global experience shows that formalizing rights can quadruple the investment by new owners.

Property disputes, a major factor in corruption in the courts and civil service, are exacerbated by lack of finality in decisions. The Supreme Court has been known to pass as many as six judgments on the same piece of property in Kabul, reversing itself three times in favor of one party or the other. Binding arbitration of these disputes—where in cases of ambiguity parties can be compensated from a special fund through a special tax on all such assets—could clarify titles and open property to responsible credit. The computerization of property records and the development of market-based instruments for valuating and assessing property would also provide a basis for entrepreneurial initiatives and government revenues.

Human development. In 2002 the international community, led by UN agencies, insisted only on investment in primary education to support progress toward the Millennium Development Goals. In Afghanistan where the human capital has been decimated by years of war and neglect, primary education is important, but skills-generation among the adults who will support a functioning state are absolutely critical if the international community ever wants to move away from the substitution effect of technical assistance. A new phase of training and skill-building will be essential for Afghanistan to meet regional and global requirements and compete in the world economy. Vocational training based on Afghanistan's skill requirements in secondary and tertiary education would produce a new generation of Afghan leaders and managers.

The international community could consider financing Afghans to study in third countries, with an emphasis on visa issues, to support partnerships for higher education, engineering, investment, technology, and development. Organized around the U.S.-India-Afghanistan axis or the U.S.-South Africa-Afghanistan axis, partners could explore the model pioneered by universities like Colgate, which provided support for sending Afghan instructors for computer science training to the University of Durbin in South Africa. Another precedent is the United States Department of Agriculture's funding of Afghans in India.

To ensure that Afghan human capabilities have the leadership, management, and technical skills to create a functioning market, state, and civil society, a task force, comprising former and active university presidents and deans (Joe Nye, Homayun Qayoumi), could prepare a 20-year human development plan with recommendations for ensuring that higher education in Afghanistan meets international certification standards. Land grant colleges, state systems, and leading technology schools could also take

up the challenge of growing Afghan capabilities, by twinning campuses and classrooms, providing technical assistance to educators and administrators, and forming a consortium of interest groups to generate resources, ensure high quality technical and general education, and build on the existing state system.

Strategic justification for medium-term objectives

Institution-building of this sort is not merely theoretical. There is much strategic justification for such processes in Afghanistan based on early postwar and more modern Afghan experience, the readiness of the Afghan population to accept such an approach, the growing influence of the counter-insurgency (COIN) doctrine, and the better international understanding of the centrality of governance. State-building is both feasible and possible.

A history of state-building

Afghans expressed their consensus on the need for an effective state in two Loya Jirgas (grand councils) convened in June 2002 and December 2003 to January 2004. In the June gathering more than 1,500 delegates elected through indirect elections supervised by the United Nations elected the head of the state and the key officials of the transitional government. In the second gathering, 500 delegates and 50 appointed members debated and approved the constitution. The key theme of the discourse among delegates, particularly in the second Jirga during which every delegate spoke for five minutes on national television and radio, was the need for an effective state that would perform core functions for the citizens of a united nation.

The underpinning of this national consensus comes from notions of justice and the memory of peace. When Afghans in their forties and fifties speak about the state, they remember the

freedom of movement and security of property in the late 1960s and early 1970s. The state had a legitimate monopoly of force, and its control extended across the length and breadth of the country. The best indicator of its authority was that a single unarmed policeman could be sent to any village and could bring the most powerful landowners and village elders to provincial capitals or the capital city. Unlike many developing countries, Afghanistan has not had any separatist movement, and conflict among contending parties in the 1990s was over control of the capital city.

The readiness of the Afghan people

There was considerable anxiety on the part of international actors as to how the Afghan population would react to the deployment of international security forces in December 2001. The enthusiastic welcome the citizens of Kabul accorded the first troops of the international security force indicated that the population accepted the legitimacy of the international forces. Afghans reached a rare consensus on the legitimate monopoly on the use of force by international forces to enable the country to build state institutions. The disenchantment, as Sarah Chayes has demonstrated for Kandahar, set in when the population saw the international forces and the U.S. Special Forces as instruments for restoring strongmen to positions of power without public accountability.²⁶ She argues that this loss of legitimacy and the failure to learn from the past opened the space for the re-emergence of the Taliban.

The Afghan public is still ready to engage the international community. Demographically the country is becoming younger, and the population under 18 has no memory of the horrors of Soviet occupation. But it has vivid recollections of the factional wars that followed and the harshness of Taliban rule. The rural population

has also been in flux—millions fled during the 1980s as refugees to Iran and Pakistan, and millions more were internally displaced and moved from province to province, depending on the relative peace. More than 4 million refugees have returned to Afghanistan, with different standards and expectations of minimum service provision. These are the new forces and faces of an Afghanistan that seeks order, justice, and a working government. In 2001 the Afghan people expected state-building and received bad governance and corruption. Now, as a result of this failure of the government and international community, they are demonstrating again the desire for legitimate and accountable state institutions—the basis for state-building if capitalized on in the right ways.

A counter-insurgency (COIN) approach embraces state-building

The costs of disorder and an incoherent counter-insurgency strategy in Afghanistan are immense: NATO expenditure alone is now around \$20 billion a month, and 294 international soldiers²⁷ and 2,118 Afghans²⁸ lost their lives in 2008 alone. The COIN doctrine indicates that the use of force must only be part of a process toward clear political objectives in the medium term—and political and developmental instruments that serve as force multipliers are critical to the accomplishment of the overall goal. The fundamental insight of the COIN doctrine is that insurgency and counter-insurgency are engaged in a political contest for the allegiance of the people. As a result, the use of force must be judged by how it affects the decisions of people to side with the government and the international community against the insurgents. Robert Thompson outlines the following instructive equations:²⁹

27. See www.icasualties.org/oef/.

28. UNAMA Human Rights Unit 2009.

29. Thompson1966/2005, p. 68.

26. See Chayes 2007.

- Legality + Construction + Results = Government
- Illegality + Destruction + Promises = Insurgency

The insight from this and other work on counter-insurgency is that force is only one part of a broad COIN strategy covering politics, economics, and development. In Iraq General Petraeus used this approach to rework what seemed to be myriad categories and subcategories of the population into just two—reconcilable (majority) and irreconcilable (small minority). With this basic distinction, the U.S. military was then deployed to protect the majority of the population that were reconcilable and target the irreconcilables.

In Afghan political theory justice is the foundation of order, and a COIN approach provides a triple advantage. First, it recognizes that corruption and bad governance provide a vacuum for the insurgency to fill. Second, it subordinates counter-terrorism to the larger doctrine of counter-insurgency and demonstrates the price paid in the allegiance of the population through civilian casualties and collateral damage. Third, it suggests complementary instruments of smart power, ranging from diplomacy to trade and development, to consolidate military gains and reduce the use of force. COIN also highlights the spatial dimensions of efforts to gain control over a given territory and thus becomes an intermediate step in a state-building approach that we have outlined above through the four orders of institutional priorities.

Tailoring COIN to Afghanistan is going to require four innovations. First, security, governance, and development must be integrated parts of the overall approach, and the requisite Afghan capacities for each part must be assessed and developed. Second, the fragmentation of governance and the agility of the insurgency require tailoring efforts to provincial

and, in some cases district conditions. With the sanctuary in Pakistan essential to the strength of the insurgency, border districts need special attention. Third, a clear process of reaching out to the reconcilable and identifying the irreconcilable needs to be mapped out and explained to the public. Fourth, the sustainability of COIN depends on whether it is framed within a doctrine of state-building. Whereas the use of force is required in the short term, the rule of law is required in the medium to long term.

International understanding of the centrality of governance

Donors now understand the price of incoherent engagement in Afghanistan. Failure is best illustrated on the ground with the Afghan police, which after \$6 billion of U.S. investment did not have a single unit ready to lead operations in June 2008.³⁰ The waste is the result of the failure to follow the programmatic approach pursued in developing the Afghan National Army. Unlike the army, which went through a systematic vetting process and deliberately recruited from all parts and linguistic groups of the country, the police force comprised members of armed militias, whose commanders became police chiefs in various provinces. The UN Development Programme, the UN agency in charge of making payments for the police through the Law and Order Trust Fund, failed to create a database of officers and as of June 2008 had not created a systematic payroll system to ensure salary payments on time and in full.³¹

Success has been possible when players in the international community have understood governance and supported efforts to generate accountability and transparency through adherence to rules. Currency reform provides an

30. U.S. Government Accountability Office 2008, p. 31.

31. U.S. Government Accountability Office 2008.

example of defining the objectives jointly but following Afghan leadership on the implementation arrangements. The lesson here is that if implementation arrangements are carefully examined from the perspective of existing assets and capabilities on the ground, politically feasible win-win solutions can be devised. The clear overall lesson: it is not the context of Afghanistan that is problematic; it is the design and implementation of state-building efforts that are central to success, along with the ability to forge coalitions for change. The international community now recognizes the centrality of governance in this way, which provides the opening to once again put a state-building agenda in place. The price of international incoherence is too high, and the effects too great, for engagement to continue using the same failed tools.

Short-term measures to support medium-term objectives

It is thus clear that medium-term state-building objectives are justified. Given the history of state-building in Afghanistan and the interaction of that state with the international community, the question is not whether, but how effectiveness can come about. In the short term five concrete steps can support the implementation of medium-term objectives.

Get the elections right

The event that will determine the direction and pace of change in Afghanistan is the forthcoming presidential election of August 20, 2009. For the first time in Afghan history, Afghans will have the opportunity to either change or retain a head of state through a democratic process. Given the current disenchantment with the government, the population needs to be assured that views and votes are going to really matter. Such assurance requires a level

playing field among the candidates and credible international support for holding and monitoring the election. Now that President Karzai's term ends on May 22, 2009, creative thinking is required to ensure that the executive branch focuses on core functions and does not become embroiled in the electoral campaign in favor of one candidate or another. Drawing on experience from Guatemala to Indonesia to Mexico to the Philippines to South Africa, there is an accumulation of knowledge and wisdom on supervising and monitoring elections. The international community can partner with the Afghan electoral commission, civil society, and politicians to arrive at a roadmap for holding credible elections.

Were Afghans to engage in discussing a vision for the future over the next six months and to compete legitimately to offer different options for realizing this future, they could become enthused about the political process. They need to articulate a social contract and the mechanisms to fulfill it, and the election provides an avenue for this to take place. A legitimate election process can draw in the Taliban rank and file and isolate Al Qaeda and the irreconcilable elements of the insurgency. It is thus necessary to treat the elections as the significant event of the year. The role of the UN can again be reviewed by a panel of eminent international experts so that recommendations for increasing their relevance, impartiality, and effectiveness can be made and implemented. But it is clear that the international community must send strong signals and set down red lines to indicate that there are limits to what is acceptable to allow this process to take place.

Adopt a coherent international strategy for the medium term

With the weight and presence of the international community increasing in Afghanistan, a medium-term framework is critical to finding an effective exit strategy based on intended

results. Two innovations would make a difference to the success of the election and to signaling to the Afghan public and political class change. The first is to adopt a counter-insurgency framework as the dominant model for the use of international forces in Afghanistan. Counter-terror can be a significant component of COIN, but COIN cannot be part of a strategy driven by counter-terrorism alone. As in Iraq, a COIN strategy adapted to local conditions can yield significant results.

The COIN manual describes three classifications for the territorial dimension of the counter-insurgency: campaign areas under control, contested areas, and areas held by insurgents.³² There is also a territorial dimension to governance as the state has a claim over territory, which has been undermined to a large extent in many parts of Afghanistan, where local power structures carry more weight than the central government. Afghan provinces, based around provincial capitals, need functioning capital cities—virtuous centers—across the country. But the greatest governance issues are in Kabul, and these percolate outward to generate further issues of state functionality at the other levels of governance. Until now international actors have focused on areas in which the insurgents are strongest, with benign neglect of other areas. This has opened a vacuum, now filled by the insurgency and criminality.

There are now many signs that top ranking U.S. military leaders, from Admiral Mullen to General Petraeus, have become convinced of the need for a new approach. This new understanding by U.S. and NATO leadership is mirrored by an awareness in the Afghan population that there seems to be no endpoint to the current deterioration and that a radically new approach is required. A doctrine of taking back cities—urban consolidation—is a low-hanging fruit, and the development of an NSP-type program

in urban areas, focusing on property rights, housing, and services, would generate Afghan stakeholders in the system rather than outside the system.

The second innovation is in what external actors do more broadly. If the international civilian community agrees to become the catalyst and referee for building Afghan institutions, the impact of their actions could be enhanced. Uncoordinated actions have so far been a self-inflicted wound through the failure of design. Insistence on existing roles and regulations, without agreement on limited rules, means that the lack of coordination has become intractable. And the assumption of a command and control approach has prevented the development of networks among different organizations. Moving forward, donors need to arrive at a rule set for actions specifically designed for Afghanistan—a Marshall Plan approach to reduce complexity and ensure that funds are channeled and used most effectively in support of institution-building. This is extremely difficult on the ground, given the competing interests and mandates. And the best that can be achieved might be a limited number of different rule sets, understanding that some rules cannot be changed.

The point is that donors must now agree on a coordinated approach that prevents duplicated effort and action and supports joint goals rather than disparate outcomes. This approach does not mean ceasing all direct activities immediately. It means having a clear strategy for shifting from direct implementation and management to becoming a catalyst for building Afghan institutions and supporting Afghan actions behind the four orders of priorities agreed on through intensive discussion. The quality of international staff and their ability to design institutional arrangements that create Afghan stakeholders in transparent rules and regulations and enable them to own the process of development is central to this. Only a

32. U.S. Army 2006.

handful of technical experts designed the national telecoms program and reviewed the proposals from telecoms companies for licensing. The World Bank team that helped to design the National Solidarity Program was a small core group. Sustainability in these cases was based on targeted rather than blanket technical assistance.

With the ever-globalizing communications network, much wider support networks could be mobilized without the expense of putting thousands of international experts on the ground. Communication can project governance, but the government and the international community cannot communicate that they are able to provide security or freedom of movement. While the problems the international community faces are significant, much progress has also been made, and a concerted effort to communicate these successes to an increasingly skeptical Afghan population, in conjunction with other positive changes in engagement, would prove extremely valuable.

Prepare new national programs

National programs have proven their comparative advantage over traditional donor-driven models of development. As the preparation of these programs from design to implementation can take from three months to a year, using the period between now and the inauguration of the new Afghan administration would ensure that the new government can launch a series of these programs during its first 100 days in office. For regaining the trust of the people, such an approach could yield significant dividends. Given the order of institutional priorities delineated above, members of the international community could arrive at a sensible division of labor and cooperate on the choice and scope of programs. These could focus on restoring law and order, including a unified approach to rule-making, to create predictable flows of information and to enable joint Afghan-U.S.

decisionmaking and implementation. They could also focus on economic interventions in agriculture, labor migration, and minerals, including competent international advice on contracting for mining, oil, and gas. They could include urban neighborhood stabilization and investment in Afghan skills, including vocational training based on Afghanistan's skill requirements and investment in secondary and tertiary education. And they could focus on infrastructure development, including a distributed generation system using renewable energy sources, such as microhydro and microsolar power.

Use the National Solidarity Program as a platform

The National Solidarity Program (NSP) has created social capital and delivery mechanisms at the local level across rural inhabitants in Afghanistan. The aim of the first National Solidarity Program was to create this capital, now a platform for moving forward. The goal must be to transform Community Development Councils into rural enterprises for sustainable livelihoods, and to use the program as the basis for further wealth redistribution and private development programming. To reach this goal, the National Solidarity Program can provide rural electrification through micro- and meso-hydro projects and small and medium-size dams. Reliable power will transform the lives of women and children by substantially reducing the time spent on daily labor and providing boiled water for children, reducing exposure to disease and increasing life chances. Power is also the foundation for agricultural processing and business development. The NSP platform could also transform agriculture from a traditional activity to a knowledge-based system, whose farmers have detailed information on soil, crops, and water management and a keen understanding of the market and the value chains that affect their ability to sell produce and increase incomes.

Once villages have reliable power, the National Solidarity Program can also become a vehicle for distance learning by providing children access to global networks of knowledge and learning. And to build the bottom-up process of governance, NSP resources can provide an incentive for villages to collaborate in expanding networks within and across districts to create infrastructure and collaborate on economic activity. Such progress, if scaled, would bring substantial peace and development dividends, and a level of ownership that would ensure community protection against the insurgency.

Create eight model provinces

To regain the initiative in Afghanistan, areas solidly under government control must be capitalized on. It may seem counter-intuitive to focus on areas where the government is strong, when there are so many areas where it is weak. But the demonstration and multiplier effect of progress in these provinces would deny the insurgency further room for expansion. The National Solidarity Program began with three districts in every province and has since expanded to be truly national in scope; there is no reason why a similar approach could not be adopted for development more broadly. Building model provinces in the North, North West, South, and South West is feasible. Authority could be given to developmental and military actors in these areas to operate under special rules that give greater flexibility for support to good governance, with more of a venture capital approach. In the South and East an approach that segments the territory into individual provinces and districts and in turn allow for sequencing these provinces into phases would allow for coherent engagement that balances force and persuasion.

Conclusions

The new Obama strategy for Afghanistan and Pakistan provides a significant opportunity to

get things right in Afghanistan—the situation is difficult, but by no means impossible, and if the focus is on sustainable institution-building, the Taliban’s gains can be reversed, governance can be improved, and economic opportunity can be created. The Afghan people want institutions of good governance and to be part of the modern global system. They want to escape their isolation and Sub-Saharan levels of poverty. For this to happen the government must articulate, own, and implement an agenda for state-building, and the international community must be a catalyst for state and market functionality. Only this approach will lead to sustainable stability and prosperity for the Afghan people. An analysis of the threats, weaknesses, and assets in Afghanistan and within the international community indicates that such a state-building approach cannot be implemented while the articulated objectives are long term, but the commitments are short term, and there is no coherent set of ordered priorities matched with effective implementation instruments.

Medium-term objectives in support of state functionality are both historically and strategically justified. Better state-building will allow the military to integrate an approach to counter-insurgency with a narrative of national vision and leadership that can produce partnerships between Afghans and their international supporters through a variety of specific actions in the short term—getting the elections right, developing a coherent international strategy, preparing new national programs, using the National Solidarity Program as a basis for delivery, and creating eight model provinces to spread stability. Each newly designed or re-evaluated program and mechanism could be aligned across center, province, and municipality by combining bottom-up and top-down approaches. Agreeing on the sequence and priorities of issues and actions is essential for successful implementation. And the results must be communicated to the Afghan people before, during, and after any reforms, to ensure

continuing support. The government and international community would be well advised to underpromise and overdeliver, rather than vice versa, as is currently the case.

Two common threads fundamental to state-building unite the approach here. First, the notion of a double compact—involving agreement between the Afghan government and its citizens and between the Afghan government and donors—can shape responsive policymaking for the people. Second, a process of

coproduction will allow Afghan reformers to articulate the country's aspirations and needs and will involve close cooperation and collaboration with the international community on the value systems that should drive good governance. Progress in Afghanistan is desirable for a variety of reasons. A plan for intelligent state-building based on partnerships of this sort will make this progress in Afghanistan both feasible and credible. For the sake of Afghan, regional, and global stability, this is now imperative.

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