



Afghanistan in Transition
Governance, Counter-Corruption and Development
Re-Shaping Priorities for 2015 and Beyond

Recommendations from three workshops organized by
RUSI, Konrad-Adenauer-Stiftung and Transparency International UK

Organisers' Summary

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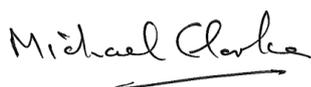
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Preface

In order to complete the Transition process in Afghanistan the international community and their Afghan partners will need to demonstrate success not only in security provision and the development of the Afghan National Security Forces but on broader issues such as governance, economic development, managing crime and countering corruption. Currently, corruption pervades every level of Afghan society: citizens pay bribes for state services and large sums are extracted from contracts, fund flows, security protection rackets and uncompleted construction projects. The international community is acutely aware that corruption, both real and perceived, has undermined efforts to promote stability, governance and prosperity in Afghanistan. The challenge is to understand people's motives and to develop a comprehensive strategy for governance at all levels. This is a fundamental part of a wider transition strategy.

The KAS, RUSI, TI-UK workshop series on Afghanistan's Transition began with a scoping seminar in November 2010 to set the agenda for the main event, which was held at RUSI on 31 January and 1 February 2011. The scoping seminar identified key areas where more work was required. The debate looked at both how to support Afghanistan's Government and promote economic development, and how to improve coordination among international actors and set better standards for contracting and sub-contracting in Afghanistan. The second seminar explored means of building integrity in the ANSF; developing political strategies for transition; addressing large-scale corruption, supporting economic growth and development, and putting the international community's house in order. The main event brought together senior officials from the Governments of Afghanistan, UK, Germany, and from NATO and the UN as well as others who are knowledgeable on governance, development and countering corruption. The final seminar in April helped consolidate our findings from the main event and put them into perspective.

What follows are the organizers' reflections on the discussion over the course of seven months, and a series of policy recommendations to support the transition process, longer term stability, economic growth and development in Afghanistan. While the recommendations need to be taken as a whole if real progress is to be made, short term priorities include building technical competence and transparency, continuing research on Afghan perceptions and the Afghan political economy, and ongoing discussions about these issues with Afghan partners, NATO and other troop-contributing countries, regional players, the private sector and international institutions. The aim of this project has always been to provide concrete policy recommendations, to support a positive evolution for the state of Afghanistan as it emerges from the current conflict and to draw lessons on best practices for wider crisis management.



Professor Michael Clarke
Director

Background

The international community's footprint was one of the main themes in our discussion, and it is becoming clear that the international community itself has become an intrinsic part of the problem in Afghanistan. First, the ISAF and its partners need to take a hard-headed look at the impact of financial flows into and out of Afghanistan. In a 79-page report released by the House, "Warlord Inc", the US Department of Defense has been "largely blind to the potential strategic consequences" of its supply-chain contracting. This has led to a system where private security contractors are often militia leaders, warlords or strongmen at the center of organized crime networks that compete with the Afghan Government for control and authority and people's loyalties. The system fuels organized crime networks and it is likely to be a significant source of funding for the insurgents ISAF is trying to defeat. Secondly, international community would be wise to re-examine the role of the UN in the conflict. Transition is jointly owned by the Afghan Government and NATO, but the UN will be critical in the years that follow and it is clear from recent events in Mazar-e Sharif that its role must be re-examined. An official review of the UN role could address Afghan concerns while re-balancing the UN's work with that of the World Bank and International Financial Institutions in relation to their Afghan partners. Finally, the international community needs a better understanding of the Afghan political economy and it needs to improve coordination with Afghan Ministries and with other regional players with an interest in a stable Afghanistan.

Adequate security is a fundamental prerequisite for transition. While significant progress has been made in supporting the development of Afghan National Security Forces, it was recognized that widespread corruption within the Afghan National Army and the Afghan National Police continues to present a major obstacle to progress. Not only must concerted efforts be made to develop capacity but training and mentoring efforts to develop accountability and transparency must also be stepped up. The ANA and the ANP will ultimately implement transition, and yet the forces are still undermined and sometimes hollowed out by the narcotics trade, powerbrokers enriched by drug money, money being siphoned off, ghost staff within the ANP, and the buying and selling of posts for up to \$60,000 (especially within the border police). ISAF's CJIATF-Shafafiyat (Transparency) is working to improve our understanding of criminal networks and their links to political leadership. They are targeting petty corruption, diversion of development and security force assistance funds, and serious organized crime by identifying criminals in public office and others, tackling their protective networks and dismantling their golden bridges. More generally, they aim to develop a common understanding of the corruption problem, target stakeholders in state weakness, and generate political will in Afghanistan to confront this problem at an official level and more generally among the Afghan people.

Economic development is crucial for the future stability of Afghanistan, and the government will need to demonstrate that it can provide training and generate jobs for its millions of young people. Firms must be established to provide opportunities and skills as well as to track managers' capital and generate revenue. The economy has demonstrated an average annual double-digit growth rate since 2001, and Afghan GDP has almost quadrupled from \$4.4bn in 2002-03 to an estimated \$16.2bn in 2010-11. This is impressive, and Afghanistan's untapped mineral resources – especially iron and copper – offer considerable potential. A Chinese company won the concession to a copper mine and there is widespread acceptance that China will buy up even more resources. The Afghan Minister hopes production will begin soon and World Bank figures estimate that an additional 100,000 jobs can be created and between \$500m and \$1.4bn in additional state revenues can be expected from

two mines along after 2016. This can only lead to genuine economic development, however, if skillful management can ensure that broad-based growth materializes and if addition state revenues are used in a transparent way.

The Afghan economy faces a series of significant constraints to sustainable economic development. Agriculture is dependent on weather and poverty in rural areas remains widespread. Ranking 167th out of 183 on the World Bank IFC's "Ease of Doing Business Index", the Afghan economy faces red tape problems such as difficult access to land, poor and limited infrastructure and a dearth of human capital or qualified labour as well as other problems common to the least developed economies. Widespread corruption compounds existing problems and red tape reinforces corruption incentives by creating additional opportunities for demanding bribes. Moreover, general insecurity threatens the future of Afghanistan's economic growth as well. Kidnapping threatens businesses and insecurity in turn feeds the opium economy as well as corruption. As a result, sustainable economic development requires security, political stability and the rule of law. The economic agenda must be scrutinized and the IFIs, IMF, World Bank and Development Bank must have clear roles, pull their own weight and co-operate with the right Ministries in the Afghan Government. Expectations are too high for a quick impact, and Afghanistan will remain a parasitic economy over the short term because of the impact of war, opium and ongoing dependence on foreign aid. Economic growth can be self-sustaining over the longer term provided that there is security, political stability and growing institutions as well as the rule of law.

The transition process will require a series of political settlements that address the legitimate aspirations of the Afghan population. Afghan political structures are layered – with central district and provincial governments – and there is some concern about the level at which transition will be planned and about the projected mechanisms for transition. Those mechanisms must balance competing priorities from the centre and the periphery and they must not overlook questions about the legitimacy of the central government. It must also happen in a series of stages that enable the Afghan Government to generate capacity and revenues on its own. International support should continue in support of institution-building, implementing the Afghan Constitution, and re-considering electoral processes in Afghanistan and examine how the impact of external actors plays out. Those international actors providing assistance should help Afghan leaders avoid common mistakes without interfering with Afghan leadership and ownership, and they must continue to support democratic processes in between elections. The UN, OSCE and the Asia Foundation as well as others have much to contribute. We must continue to support education, the justice system, the parliament and the formation of political parties, civil society and ways to engage young people in the political process. This process should create a vision for the Afghan Government that enables it to stand on its own while sending a clear message to Afghans and to Afghanistan's neighbors that NATO and the international community are committed to supporting Afghanistan over the long term.

Summary of Recommendations

Corruption and an ineffective rule of law pose a fundamental risk to the viability and future of the Afghan state. Corruption is not in the nature of the Afghan people, but the problem is getting worse. To make a success of the international effort and secure the future of Afghanistan, action is urgently needed by both the international community and the government and people of Afghanistan during the period of transition from 2011 to 2015.

Three stark points highlight the scale of the challenge:

- In poll after poll, Afghans put their top three needs as being better security, better economic prospects and less corruption.
- Ordinary Afghans are now paying bribes at twice the level of (two) years ago, according to the United Nations Office on Drugs and Crime; the current level of \$154 per bribe is equivalent to X% of the average monthly wage.
- The international community is a central part of both the problem and the solution. Afghanistan is currently absorbing \$1billion in national income compared to \$40 billion in international support each year; much of this money is squandered, stolen or diverted for personal or political gain.

Success is possible. The purpose of this trio of expert workshops has been to develop practical, immediately relevant proposals to assist both the Government of Afghanistan and the international community in improving the rule of law whilst taking forward the complex process of transition. We strongly believe that the recommendations in this report are vital to maximize the chances of success of transition.

They are addressed to five key sets of decision-makers:

- The Government of Afghanistan;
- The Afghan Parliament, religious leaders and Afghan civic society;
- NATO and ISAF leadership and Allied governments, particularly in the light of the Enduring Partnership with Afghanistan agreed at the NATO Lisbon Summit of November 2010;
- The leadership and members of the other major international organizations; notably the UN (UNAMA, UNDP, UNODC), the IMF and the World Bank; and
- Governments with important interests in the success of the international mission in Afghanistan, notably the US, Japan, Germany, the UK, other nations investing in Afghanistan and Afghanistan's neighbours.

At their heart, the recommendations comprise three interlinked proposals:

First, the vast public anger against corruption and the damage that it is doing to Afghan society need to be harnessed and channeled into a force for change. Afghan citizens are well aware of many of the current injustices and would be ready to participate in efforts to promote change. This process needs support from the Afghan Government, Parliament, and from across the international development community in order to prioritise measures that give voice to the need for reform and institutional change.

Second, the international community must radically and urgently change the way it handles its financial flows, especially the money associated with massive security operations and the way it offers contracts for goods and services. In particular, it must direct more effort into contracting with Afghan companies, and it must do so in ways that improve national economic capacity and better limit corruption. Some progress is being made on this front, but it is long overdue and needs a major uplift.

Third, measures on curtailing corruption and building integrity need to be scaled up immediately and dramatically, to halt the current decline. This requires a range of actions by both the Afghan government and the international community. It needs personal intervention and leadership by the President of Afghanistan. This means fashioning some of these recommendations as the President's own mission against corruption.

The twenty-six detailed recommendations below are set out in full in the body of this report.

Participants List

(Insert Participants List Here)

Findings and Recommendations

Improved security is essential to the transition process, as is real progress in the areas of governance and development. Pervasive corruption cuts across all three areas and seriously imperils the success of the international mission and the establishment of sustainable institutions in Afghanistan. Counter-corruption work is accordingly an important enabler for all three strands.

The Afghan Government and NATO/ISAF jointly own the transition process. Adequate security is fundamental to it, but there must be sufficient progress with governance, the rule of law and the building of sustainable institutions to allow the delivery of basic services to the population in areas where the Afghan Government has assumed responsibility for security. These processes, and the development of national institutions, must be Afghan-led, with effective senior champions in the Afghan Government, its various institutions, and Parliament, backed by the authority of the President and with a real commitment to practical implementation of decisions that have been taken and will be put in place. This requires sufficient resources and continuing commitment on the part of the international community.

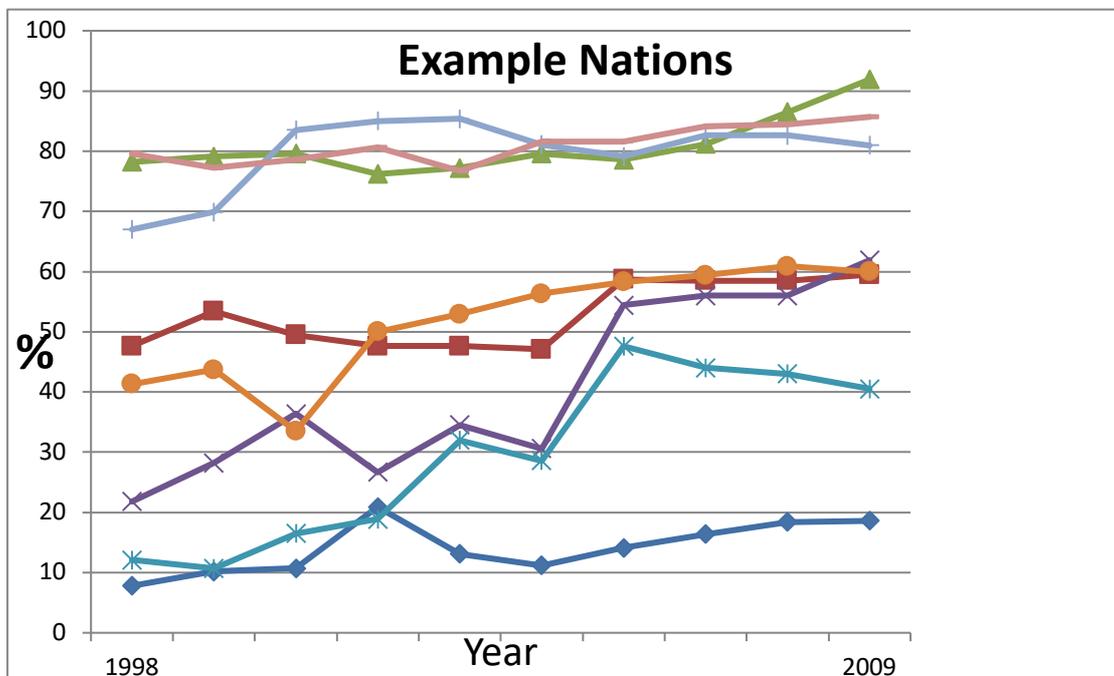
Transition is complex, and action on all fronts will need to be tailored to the progressive adaptation of the international presence. It is important that there not be a 'step change' in the reduction of support. The process should be seen as a framework, rather than as a series of deadlines. Long-term international engagement - exemplified by the NATO-Afghanistan Enduring Partnership and the efforts of other international organizations - will be essential.

There is much that the international community can be doing to strengthen Afghanistan during this period of transition, and in laying the foundation for sustainable longer-term assistance post-transition. The Afghan Government's commitment to better governance and the reforms needed to achieve this will be crucial.

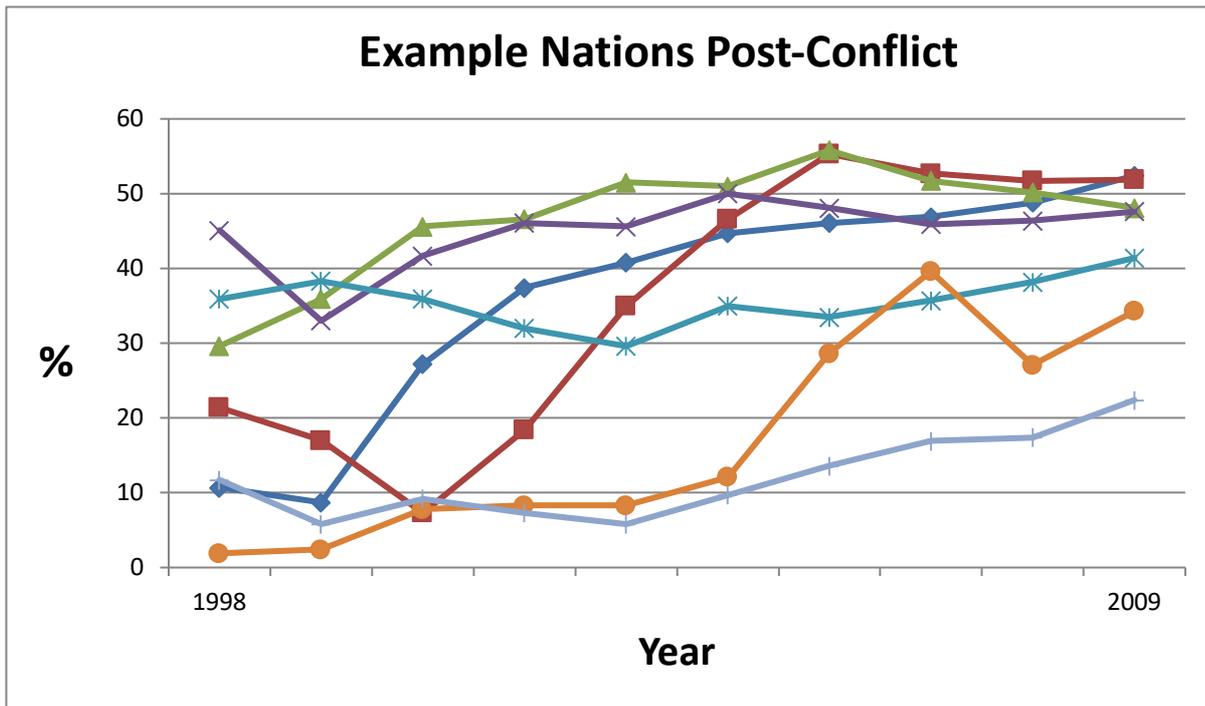
Corruption

Corruption seriously threatens the integrity of Afghanistan and the success of the international mission. It undercuts Afghan institutions and has seriously damaged the credibility of the Afghan government with its own people. It was recognized by all the participants – Afghan and international community – as being one of the major risks to the Government’s legitimacy, political stability, rule of law, democracy and the future economic success of the nation. The Conference recognized that corruption is not in the nature of the Afghan people. Further, it recognized that corruption is an issue that can be and has been addressed with considerable success by other nations that have experienced major armed conflict.

The two charts below are derived from one of the most extensive data records on corruption—the World Bank World Governance Indicators (WGI). The first chart demonstrates that a number of diverse nations have achieved progress in the WGI metric “Control of Corruption”.



The second chart shows the positive results of a number of post-conflict states in controlling corruption. The data confirms is that significant progress in countering corruption is possible, and possible within a relatively modest timeframe of 5-10 years. It is not a change that must require generations.



The Conference also acknowledged the efforts already being made to counter corruption, including by brave and committed individuals at many levels within Afghan society and government. However, these efforts and those of the international community are not sufficient to deal with the risks corruption brings. At present, the signs are that the position is worsening and that there is a significant chance that the rise in corruption and organized crime will lead to the decline of Afghanistan into a state captured by corrupt interests, thus undermining the international mission. Accordingly, the status quo is not an option. Those in positions of responsibility in both Afghanistan and the international community need to develop a stronger and more systematic approach to work against corruption linked to the transition process, while recognizing that there can be no instant solutions.

Action against corruption is needed both within and outside Afghanistan. Strategically, the IFIs need to make stronger linkages between corruption and their supervisory role in the provision of financial and economic support. Afghanistan's immediate neighbours and countries in the Gulf and Arab world also need to join in and support efforts by other governments and law enforcement authorities in cracking down on corrupt criminal networks operating in and outside Afghanistan.

Within Afghanistan, leadership at senior level of work to counter corruption is essential. There are many good examples of this, but more needs to be done - in essence the process must be Afghan-owned and led. The international community can help by demonstrating clearly that it is taking steps to ensure that its own involvement in Afghanistan does not generate or encourage corrupt practices; by convincing Afghan leaders that their own enlightened self-interest lies in state and government institutions that are not corrupt; and by encouraging a dialogue on corruption between government, civil society and economic actors. A speedy conclusion of the negotiations between IMF and GoA on resolving the Kabul Bank crisis and on better banking sector regulation is imperative.

Transparency is essential to success, and key governments and international organizations should work with the Afghan Government to develop communication initiatives to promote public

discussion and understanding of corruption issues, and to introduce and support mechanisms for holding the government and other actors to account. While respecting international norms, this activity should take account of Afghan culture; more research is needed on how Afghans view and understand corruption - not least in the context of the country's recent history.

The counterpoint is firm action to bring corrupt individuals and organizations to justice. That is mainly the business of law enforcement agencies, but political support and training are important too. NATO and other international efforts to train the Afghan Police and Army in counter corruption work are of key importance, but need further development and resources. Work by international donors and Allies to support that process should be a key priority, despite continuing pressure on defence budgets.

Recommendations

1. We recommend that the **Transition Coordinating Commission** require that progress in countering corruption be one of the factors considered explicitly and regularly by the Commission, as part of the process of the handover of security to the Afghan Government. Such progress should be monitored on both a provincial and a district basis. We suggest that a **sub-group of the TCC** be tasked with this responsibility, comprising both Afghan and international members of the TCC. For national and international credibility, civil society should be allowed to participate in its meetings as an observer, and the findings of the sub-group be made public. We recommend that the sub-group submit a published progress report to Parliament every six months until the end of 2014, including the efforts made and results achieved by each Ministry.

2. **ISAF and Troop Contributing Nations** need to provide more **oversight of the contracts** they let, engage in better vetting and due diligence, especially at sub-contractor level, and put in place much stronger controls over diversion of resources through corruption. New and innovative measures should be considered, including local community monitoring of international projects, facilitated by NGOs, and the development and publication of contracting standards that can easily be understood by ordinary Afghans.

- We recommend that ISAF CJIATF -- Shafafiyat (Transparency) issue detailed guidance within the next few months on what is required in these areas and that NATO/ISAF require all troop contributing nations to adhere to this guidance.
- We recommend that nations should report data on all ISAF/military-related contracts let each quarter, both locally and nationally, as from October 2011. Other international actors should put similar processes in place. Shafafiyat should develop a reporting template for all troop contributing nations to complete, with a clear, simple formulation of what is needed and designed to improve public accessibility.
- We recommend that information on contracts and contractors used by troop contributing nations should be shared among nations, and where appropriate published, to squeeze out corrupt practices. ISAF should partner with the development activities of troop contributing nations to establish an organizing and collecting point for this information.

3. **ISAF and Troop Contributing Nations** should take steps to ensure significant progress in each of the regional commands in moving to **local contracting** and supporting the **development of local markets**. Consideration should be given to making successful devolution of funding to provincial and district level part of the transition process. Contracting by the international military forces needs to

change its focus dramatically over the next two years towards contracting with a much higher percentage of national, not international, contractors. We recognize the progress made in this area by NATO's Afghan First Initiative and the current work being done by Shafafiyat, but these initiatives are only a beginning. We accordingly recommend that ISAF takes the lead in requiring regional commands to ensure that a rapidly increasing proportion of their contracts be let to national firms. We recommend that ISAF and troop contributing nations set a target whereby perhaps 50% of all contracts in all regions are let to national firms. This will require different procedures, a different scale of bundling of contracts and a different approach to tendering; but all of this is practicable. Contractual changes, such as requiring firms to report all funds paid to subcontractors, should be put in place without delay. We recognize that these changes may increase the corruption risk, but believe that this must be addressed by new guidance and practice based on recent good examples in Regional Commands. There is much experience in Afghanistan of local monitoring of contracts, e.g. by Integrity Watch Afghanistan, that can form the basis of good practice guidance.

4. We recommend that **ISAF, NATO and Troop Contributing Nations, other nations investing in Afghanistan and international organizations** should produce a report by March 2012, and annually thereafter, on total funds flowing in to Afghanistan, the application of those funds, and the money awarded through contracts and sub-contracts in Afghanistan.

5. We recommend that counter-corruption activities form a significant part of Afghanistan's annual '**Partnership Action Plan**' with NATO foreseen under the Enduring Partnership agreed at Lisbon in November 2011.

6. International **asset seizures** from corrupt individuals, even if their prosecutions cannot be progressed in Afghanistan, need to be stepped up. Such asset seizures, based on UN Resolution 1267 and often coordinated by Interpol, have been a significant driver behind counter-corruption successes in other countries, especially more recently as international collaboration mechanisms have improved. We recommend that the international community significantly increase its efforts to seize the assets of individuals found to be corrupt and urge the **Afghan leadership** to facilitate the prosecution of corrupt senior individuals at a more rapid pace. We call on the **Government, President and all serving officials** to ensure that the law enforcement institutions are enabled to operate freely from political interference.

7. **Declarations of personal assets** by senior government officials are an important element of limiting corruption risk, and there is good experience of such measures in other countries. The Afghan government has been active in setting up the process for asset statements by senior individuals in positions of responsibility. But there is very little monitoring of these, with only minimal resource in the High Office of Oversight (HOO) currently allocated to this effort. In addition, the law itself has some limitations: family members who often register the assets of corrupt officials in their name are not included. The law does not say for how long and how the assets declared will be made public. To be effective, these defects need to be corrected and the personal asset register needs to be published online and made accessible for 20 years.

- We recommend that the strengthening of monitoring assets be taken forward as an ARTF Benchmark.
- We recommend that making a false asset declaration be made a criminal offence.

- We recommend that the **Afghan government** agree a ten-fold strengthening of this monitoring by HOO to enable verification of the asset declarations. We recommend that the international community, through UNODC and UNDP, **prioritize support** to this effort.
- We further recommend that the **Afghan government** set up a public committee to report on and monitor personal asset statements, and to publish the results through internet, newspapers and local *shuras*.

8. In general, there needs to be better coordination among the international community on anti-corruption aspects of support to the Government of Afghanistan. This role would naturally fall to UNAMA, but given the need for particularly close co-ordination on security-related counter-corruption matters during the period of transition, **we recommend that the Shafafiyat Agency in ISAF assume a co-coordinating lead until the end of 2014, after which the UN should assume responsibility.**

9. **Minimizing corruption in the security forces** is a central part of establishing a strong Afghanistan, as it will become major weakness if not addressed firmly. The Conference made a number of specific recommendations:

- **MOD and MOI Procurement capability.** The MOD or MOI have been responsible for only very modest budgets for the last few years. Competence is low, and the risks of corruption increasing as procurement responsibility is transferred from the international community to MOD and MOI are very significant. Work is now underway to address this issue, but we recommend a much higher NTMA and EUPOL engagement with the MOD and MOI to remedy this over the next three years.
- **MOD and MOI Anti-Corruption Councils.** The formation of an Anti-Corruption Council within the MOD and with a very senior membership is under active consideration; the MOD one has just been formally established as of March 2011. However, the Council will need support and external technical resources to help it to function, and a similar Council is needed within the MOI. We recommend that ISAF fund support to the Afghan MOD and MOI Anti-Corruption Councils from mid 2011 until the end of 2014.
- **Integrity Self-Assessment.** This self-assessment is currently being carried out by MOD and MOI, in accordance with the NATO Building Integrity process, as agreed at the Lisbon summit. Once the process is complete we recommend that both Ministries present the results to the Joint Transition Council as a basis for monitoring progress to 2014. We recommend that the self-assessment should be repeated every year until at least 2015 and possibly beyond. The self-assessment process should be opened to participation by civil society, and the results made public.
- **Funding for joint ANA and ANP counter-corruption education;** Developing a cadre of high integrity young leaders in the MOD, MOI and ANSF is an essential, long term priority. To this end, five-day foundation courses at the OF5 level have started for both MOD and MOI officers and officials. This work is coordinated and led through NTMA, having been initiated by NATO-IS in Brussels through the Building Integrity process. We recommend that ISAF prioritize this programme and expand focus to other ranks and accessions, with increased funding from now until 2014 and that it remain in place, with Afghan trainers, for a further ten years.

10. There is also an ongoing need for research into the meaning and nature of corruption in an Afghan context. We recommend that **UNAMA, together with Afghan think-tanks** such as AREU,

Afghan Analyst Network, or IWA, working together with international organizations such as RUSI, KAS, TI-UK and the ISAF Shafafiyat agency, consider what research projects would materially assist this task.

Institution-building and the Rule of Law

Functioning State Institutions are the most important prerequisite to successful state building and development. By defining the “rules of the game”, they provide the framework for any political process to develop. They set out how political power is distributed and lay down limits by establishing checks and balances within the system, thus helping to regulate potential conflicts.

State Institutions regulate the governmental and electoral systems, the structure of the state (whether federal, unitary or decentralized) and the judiciary. All four areas have wide-reaching impact on the way political power is distributed, on the way political processes develop, and thus on the process of Transition in Afghanistan.

For institutions to function properly, they must be designed in the context of the cultural environment in which they are placed. Effective Institutions have to be staffed with personnel who know how to run them. These people have to be skilled and qualified and know their role, rights and duties. They have to respect the rules of the game, acting in accordance with regulations and respecting the law. This holds true for personnel at all levels of state administration, including elected representatives, civil servants, judges, and members of the security forces.

In Afghanistan, institutional structures have been undercut not only by corruption but by continued violations of constitutional regulations, electoral guidelines and governmental powers, often at the expense of the Parliament’s constitutional rights. This is partly explained by the rush to agree the new Afghan constitution during the Petersburg process and the national and international wrangling over political influence and military power after the fall of the Taliban.

Staffing state institutions with qualified personnel is an immense task, particularly in difficult post-conflict environments. It requires intensive engagement and great efforts in training staff at every level of state administration. Elected politicians as well as judges, police officers and civil servants down to the district level have to be trained. The challenges for Afghanistan are immense, since decades of civil war have destroyed much of the country’s political and intellectual foundations, and educational standards are low in consequence.

Switching the focus from the individual to an institutional level ultimately requires the development of a political culture that encompasses respect for the rule of law in general and for the “rules of the game” in particular. Incentives are necessary to achieve this. They can come in many forms, including diplomatic pressure, institutional checks and balances, legal sanctions or financial incentives to good behaviour.

Recommendations

11. Reforming Afghanistan’s state institutions is urgent as they are the foundations for the future development of the country. Backing away would seriously jeopardize the effort of stabilizing Afghanistan. While it is important that an institutional reform process should be Afghan-owned, many with entrenched interests are likely to oppose much-needed change. Thus, the **international**

community should use its leverage to facilitate the reform process. Examples of international action include pressure for an Access to Information Law and a Law on Whistle-Blowing. A law on whistle-blowing is a key part of the United Nations Convention against Corruption, and requires more than the current Afghan Constitution provides for. The necessary legislation should be introduced without delay.

12. **UNAMA** should take action to explain to the Afghan government and civil society the advantages of a system of institutional power sharing that would benefit not only one group of players but the majority of Afghan society. The precise institutional design remains to be discussed and agreed upon by the Afghan people. However, elements could include genuine provincial autonomy, a government in which all major political (armed) groups are represented, a minority veto for issues of utmost importance for any major social group and a proportional electoral system.

13. The **international community** should intensify efforts to ensure Afghan institutions are staffed effectively. Training for the Afghan army and police is already underway. But more work is necessary to understand how best this can be complemented by work to improve the integrity of Afghan legal institutions, including the courts and Attorney General's office and the Afghan prosecuting authorities. The Conference recommends that **UNAMA** initiate a discussion with the Afghan Government and other international actors on a strategy for improving the effectiveness of current efforts.

14. The Conference recommends that the **Afghan Government and the International Community** take early action to establish joint accountability mechanisms, as envisaged in the lead-up discussions to the Kabul Conference to help generate public confidence in the effectiveness of the legal process. The Conference supports the current arrangements through the Monitoring & Evaluation Committee (MEC), but these can only be seen as a first step.

15. The Conference urges key donors to discuss with the Afghan Parliament, civil society and others ways to build capacity to monitor the performance of the key actors in the transition process and hold them to account and improve the quality of political discourse. We recommend that **UNAMA** take the lead in this process.

16. The link between the police and the prosecutors (who fall under the Attorney General) is weak, and there is no effective system to track cases between different elements of the criminal justice system. There is progress on a Case management System but this appears to be being used for security detainees but not for criminal matters. This should be addressed.

17. The Conference recommends that **key donors** work with the Independent Directorate for Local Governance and Governors to identify ways of improving anti-corruption measures at a provincial and district level. This includes ensuring counter-corruption benchmarks are integrated into the selection of Governors and senior provincial staff and their terms of Reference.

Economic Development

Economic development is vital to Afghanistan. But peace is necessary to sustain economic development, rather than the reverse. Growth rates since 2002 have been impressive, but economic progress remains unequally distributed and unsustainable. Extreme poverty persists, in particular in rural areas, and Afghanistan's economic potential remains limited.

However, there are drivers of growth and welfare that remain underexploited, such as extractive industries, regional labour migration and agriculture. Afghanistan is largely an agrarian society, and economic growth and development needs to take place within that context without overlooking new opportunities. The lack of clear and enforceable land rights fuels corruption and violence, and inhibits economic growth and development. Afghanistan's youth also constitutes a huge potential, both economically and socially.

The impact of significant aid flows on economic development also needs to be addressed. Current aid volumes encourage corruption and distort local economic activity. Coordination and management of existing aid by both international civil and military actors needs to improve significantly as do delivery mechanisms.

Afghanistan's neighbors will have a key external role, and a more rigorous approach is necessary to ensuring the country's imports meet its economic needs in terms of quantity, price and quality. The volume of foreign resources associated with the international security effort distorts the development picture, and we do not have a good understanding of the way in which Afghanistan's political economy works.

Recommendations

18. We recommend that **Ministry of Finance and other elements of the Afghan Government** establish and lead a project to develop and map these financial flows. This should be set up as a matter of urgency. We further recommend that the **other key agencies** provide resource and assistance to MoF/GoA to enable this to happen. These include particularly UNAMA, with its coordinating role, UNODC, the IMF, the World Bank, the Shafafiyat Agency of ISAF and the economics directorate at NATO HQ.

19. The **Afghan Government, together with the International Community** should make a further effort to address the loss of tax revenue by working to increase the effectiveness and integrity of the Tax Authorities, Border Police and Customs. This should include addressing problems of overlap and ambiguity of responsibilities between different bodies, e.g. customs/border police/MOF at airports. The law that currently allows individuals to carry an unlimited amount of cash without declaring the origins should be amended.

20. The Conference recommends that **ISAF, the UN, the World Bank and national donor bodies** take active steps to discontinue funding corrupt projects and tighten conditionality. International bodies should step up performance monitoring and attach conditions to their funding that would lead to a reduction or redirection of assistance if corruption is proved. We recommend donors adopt a joint/harmonized approach to this issue. The ARTF Incentive Programme constitutes a best practice example of such a joint donor approach and also facilitates a genuine partnership between donors and champions of reform within the Afghan Government (especially the Ministry of Finance). We recommend that the German development agency **BMZ** take the lead in communicating and coordinating with donors.

21. The Conference recommends that **ISAF, the US, and the international development community, led by UNAMA**, cooperate to change the common current practice, especially with

military budgets, whereby allocated funds have to be spent by the financial year-end. This is a major driver of corruption.

22. The Conference recommends that the same group – **ISAF, UNAMA and engaged nations** – meet with the Afghan government to analyze and consider the possible economic consequences of a rapid reduction in international spending post 2014.

23. The Conference welcomes Afghanistan's intention to join the Extractive Industries Transparency Initiative (EITI), as one measure to limit the risks of theft of revenue from its mineral assets. But we believe the scale of the threat is currently underestimated. We recommend that **IFIs** put more resources into the Ministry of Mines to strengthen their capability to analyze and monitor contracts and revenue flows in this area.

24. The international community should support those in the Afghan business community who are prepared to act as a voice in the fight against corruption and for better governance.

Public engagement, Parliament and civic empowerment

25. We recommend that the **Afghan Parliament and Government and the International Community** jointly commission through the TCC an initiative designed to mobilize ordinary Afghan citizens, especially youth movements, in countering corruption in Afghanistan. This should include a sustained strategic communications effort designed to promote transparency and affect political will. We suggest that this be done through a conference in Kabul co-chaired by the head of UNAMA, the Minister responsible for Transition on behalf of the government and a Parliamentary Representative with links to youth.

26. Emphasis should be put on **cooperation with the Afghan Parliament**. Experience shows that a strong and vital Parliament is the best insurance against overarching dominance by the Executive. In order to fulfill their functions effectively, Parliamentarians have to know their position, role and duties. Hence, their training remains essential. The same holds true for Parliamentary staff. *Jirgas* may be a good means of solving conflicts at lower levels of state administration but their relationship to the democratically elected Parliament must be better defined.

Recommendations in Dari

(Insert Dari text here)

Annex I: Conference Programme

DAY ONE: (Monday, 31 January)

Welcome Remarks

Dr Lisa Aronsson, Head, Transatlantic Programme, RUSI
Dr Jonathan Eyal, Director International Security Studies, RUSI
Claudia Crawford, Director, London Office, Konrad-Adenauer-Stiftung
Mark Pyman, Programme Director, Defence and Security Programme, Transparency International UK

Prospects for Enduring Partnership: The Lisbon Commitment

Introductory remarks by:

Martin Howard, Assistant Secretary General for Operations, NATO

Chair: Dr Jonathan Eyal, Director International Security Studies, RUSI

What is the nature of the NATO-Afghanistan agreement and its key components: Afghan Co-operation Programme; Building Integrity Initiative; NATO Afghan First Policy; and NTM-A as a support for the ANSF's development

The Security of Afghan Citizens: Strengthening the Integrity of the ANSF

Major General Payenda Mohammad Nazim Deputy to Assistant Minister for Strategy and Policy, Afghanistan

Brig Gen H R McMaster Commander, Combined Joint Interagency Task Force Shafafiyat , ISAF Headquarters, Kabul

Ernst-Reinhard Beck MP German Parliament

Valey Arya, Senior Advisor, NATO Building Integrity-Afghanistan

Chair: Sir Stewart Eldon, Senior Adviser on Defence and Security, Transparency International UK

What institutional reforms would improve the integrity of the ANSF? What broader consideration must be given to the interface between security and the rest of the government and justice system? How can the international community and Afghan leaders work together to establish rule of law and insulate critical institutions from intimidation, coercion, and political interference? How can efforts by the international security forces contribute to the fight against corruption? How can we measure progress and what indicators are important for transition?

The Afghan Experience: Looking Towards Transition

Brigadier General Nazar Mohammad Nikzad, Head of the Major Crimes Task Force, Ministry of Interior

Major General Abdul Massoud Ragheb, Chief of the Inspector General's Office and Internal affairs, Afghan Ministry of Interior

Thomas Ruttig, Senior Analyst, Afghanistan Analyst Network

Chair: Dr Stefan Friedrich, Head of Team Asia and the Pacific, KAS

How can the international community better help Afghans build legitimate, self-sustaining government institutions? How do we measure progress on governance at a national and provincial level, and how can we better assist them in minimizing corruption? How can we help make the partnership with President Karzai and other leaders more effective?

Diplomatic and Political Strategies for Afghan Transition

Karen Pierce, Director, South Asia and Afghanistan, Special Representative on Afghanistan and Pakistan, Foreign and Commonwealth Office

Clare Lockhart, Co-founder and CEO, Institute for State Effectiveness

Dr Ulrich Schlie, Head of Policy Unit, German Ministry of Defence

Chair: Dr Jonathan Eyal, International Security Studies Director, RUSI

How can NATO better support the Afghan Government in building sustainable state institutions and ensure corruption is not more deeply embedded through transition? How can the international community engage with Afghan civil society and support its development? How can the reintegration and reconciliation processes help build state institutions and limit the entrenchment of corruption? How do we take account of the Taliban in achieving this?

DAY TWO: (Tuesday, 1 February)

Addressing Large-Scale Corruption in Afghanistan

Michael Keating, Director of Development and Special Advisor to the SRS, UNAMA

Brig Gen H R McMaster, Combined Joint Interagency Task Force Shafafiyat

Chair: Dr Nadia Schadlow, Smith Richardson Foundation

There are many large-scale corruption challenges in Afghanistan, some of which are fueled by the presence of the international community, and some of which are connected to powerful networks that wield political influence. Which are the priorities to tackle? How does the international community raise its game in helping to address them?

Discussion Session

Karim Merchant, Former Advisor to the Afghan Ministries of Rural Rehabilitation and Development and then Finance

Chair: Mark Pyman, Programme Director, Defence and Security, Transparency International UK

Supporting Afghanistan's Economic Growth and Development

Dr Ashraf Ghani, Chairman of the Institute of State Effectiveness, former Finance Minister and Presidential candidate, Afghan Government

Mario Sander von Torklus, Advisor for Development Policy and North-South Questions, Federal Chancellery

Martin Kipping, Afghanistan desk officer at BMZ's regional department for Afghanistan and Pakistan, German Federal Ministry for Economic Cooperation and Development (BMZ)

Chair: Sir John Scarlett, Senior Associate Fellow, RUSI, and Former Chief of the Secret Intelligence Service

What are the potential drivers for growth in the Afghan economy? It is a depressing fact that resource rich countries are looted through corrupt interests: what is required to make progress in the metals sector and combat corrupt interests? How much civilian aid is necessary? What are the problems of too much aid and how can the military better support economic growth? What are the challenges of moving from a military to an aid based strategy?

Review of Conference Findings and Discussion

NINE: About RUSI, TI-UK and KAS

Konrad-Adenauer-Stiftung

Freedom, justice and solidarity are the basic principles underlying the work of the Konrad-Adenauer-Stiftung (KAS). The KAS is a political foundation, closely associated with the Christian Democratic Union of Germany (CDU). As co-founder of the CDU and the first Chancellor of the Federal Republic of Germany, Konrad Adenauer (1876-1967) united Christian-social, conservative and liberal traditions. His name is synonymous with the democratic reconstruction of Germany, the firm alignment of foreign policy with the trans-Atlantic community of values, the vision of a unified Europe and an orientation towards the social market economy. His intellectual heritage continues to serve both as our aim as well as our obligation today. The Konrad-Adenauer-Stiftung furthers European and international cooperation as part of its goal is to help people achieve self-determination while living in freedom and dignity. Our contribution is underpinned by our values and our will to help Germany meet its growing international responsibilities. We encourage people to lend a hand in shaping the future along these lines. With more than 70 offices abroad and projects in over 120 countries, we make a unique contribution to the promotion of democracy and the rule of law together with a social market economy. To foster peace and freedom we encourage a continuous dialog at the national and international levels as well as between cultures and religions.

Royal United Services Institute

The Royal United Services Institute (RUSI) is an independent think tank engaged in cutting edge defence and security research. A unique institution, founded in 1831 by the Duke of Wellington, RUSI embodies nearly two centuries of forward thinking, free discussion and careful reflection on defence and security matters. RUSI consistently brings to the fore vital policy issues to both domestic and global audiences, enhancing its growing reputation as a 'thought-leader institute', winning Prospect magazine's Think Tank of the Year Award in 2008 and Foreign-policy Think Tank of the Year in 2009. RUSI provides corporate and individual membership packages offering exclusive access to the UK's premier forum on defence and security. Through our publications and events, RUSI members benefit from authoritative analysis, insight and networks. RUSI is renowned for its specialist coverage of defence and security issues in the broadest sense. Our expertise has been utilised by governments, parliament and other key stakeholders. RUSI is a British institution, but operates with an international perspective. Satellite offices in Doha and Washington DC reinforce our global reach. We have amassed over the years an outstanding reputation for quality and objectivity. Our heritage, location at the heart of Whitehall together with our range of contacts both inside and outside government give RUSI a unique insight and authority.

Transparency International UK

Transparency International (TI) is the civil society organisation leading the global fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption, and works with partners in government, business and civil society to develop and implement effective measures to tackle it. More information can be found on: www.transparency.org. TI's Defence and Security Programme works with governments, defence companies, multilateral organisations and civil society to build integrity and reduce corruption in defence and security establishments worldwide. The Defence and Security Programme is led by TI (UK) on behalf of the movement, and is based in London. Information on TI's work in the defence and security sector to date, including background, overviews of current and past projects, and publications, is available at the Defence and Security Programme website, www.defenceagainstcorruption.org