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Contracting the Commanders: Transition and the Political Economy of Afghanistan's Private Security Industry

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October 2012

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List of Acronyms

ALP Afghan Local Police

ANP Afghan National Police

ANSF Afghan National Security Forces

APPF Afghan Public Protection Force

ASG Afghan Security Guards

CERP Commander's Emergency Response Program

CIA Central Intelligence Agency

DIAG Disbandment of Illegal Armed Groups

ISAF International Security Assistance Force

MOI Ministry of the Interior

NATO Northern Atlantic Treaty Organization

PSC Private Security Company

RMC Risk Management Companies

VSO Village Stability Operations

Key Findings

- The settlements among elites that underpin the post-2001 political order in Afghanistan are deeply entangled with the political economy of the international presence. Transition will therefore have wide-ranging and potentially destabilizing effects on that political order.

- The United States and the international community have funded an unprecedented private security industry in Afghanistan comprising tens of thousands of Afghan employees, mostly armed guards. Many are linked to strongmen and their networks and are largely unaccountable either to their international patrons or to the Afghan government.

- The Afghan government and International Security Assistance Force (ISAF) have begun to transfer private security company (PSC) operations to the Afghan Public Protection Force (APPF), a new Afghan government force, but a great deal of uncertainty remains about whether APPF will be able to protect international military bases and development contractors, and how it will absorb the commanders and former fighters who currently provide the bulk of PSC workforces.

- With the projected decline of international military and development spending in Afghanistan post-2014, this huge armed workforce will be largely out of a job. Unemployment in the PSC industry is also part of a larger problem of demobilization and disarmament that Afghanistan will face with the projected cuts to Afghan National Security Forces (ANSF) and the potential reintegration of former insurgents under a future peace deal.

- In the near term, the employment of local militias as PSC guard forces will likely continue under a Special-Forces–centered security plan for post-2014 Afghanistan. The use of PSCs by international military forces is part of a combat-driven policy of funding local irregular forces. This program has exacerbated tensions with Kabul and threatens to contribute to the growing political fragmentation and instability in the country.

Introduction: The political economy of transition

As Afghanistan approaches the 2014 deadline for assuming responsibility for its own security, and the international community becomes preoccupied with the challenge of reducing its vast entanglement with the country's politics, economy, and society, the critical question is whether NATO's transition will succeed in stabilizing Afghanistan—or whether it will result in further destabilization, as seen following the Soviet withdrawal in 1989, which eventually led to the collapse of the central government, large-scale civil war, and the country's development into a haven for international terrorism.

Under the liberal state-building paradigm that has informed the international intervention, this challenge is largely seen in terms of institution and capacity-building, as measured by the strength of the ANSF, the effectiveness of the civil service and bureaucracy, fiscal and macroeconomic stability, as well as, to a lesser degree, qualitative metrics for rule of law, gender equality, and human rights. The emphasis on such metrics is evident in the preoccupation with ANSF troop levels and funding commitments at international conferences such as the NATO summit in Chicago this past May.

Without denying the importance of these factors, this policy brief argues that the country's near- and medium-term stability is less contingent on institution-building than it is on the *political settlement* between Afghanistan's diverse and fragmented political networks and powerbrokers. Only a political settlement can create the stable expectations required to build institutions. If the current elite alliances that have underpinned stability in Kabul and elsewhere are undermined by the effects of transition, the country risks further violence and political crises, regardless of the strength of the ANSF or civil service. At the same time, the planned presidential election in 2014 promises further

Political Settlements

A growing body of literature on state-building and peacekeeping argues that the deals struck between political actors over access to resources, patronage, and even the legal framework of the state are crucial to explaining stability, or the lack thereof, in post-conflict environments. These bargaining processes have been variously described as "political marketplaces," "twilight institutions," and "political settlements," and in this article we use the latter term. This literature stands in contrast to a more functionalist approach that views state-building as a matter of linear progress from failed state to liberal peace. It emphasizes greater attention to the structural incentives and constraints that govern settlements between actors, particularly as they relate to the political economy of international intervention. [1]

political upheaval, but also offers an opportunity for elites to renegotiate political settlements into a more stable, inclusive arrangement than the centralized, patronage-based order that has marked the Karzai regime.

These settlements are underpinned by political economies and resource flows tied to the international presence. Most of the money that has inundated the country in recent years has come from international military and development spending. This nexus of international money and Afghan politics is aptly illustrated by the case of Kabul Bank, where nearly $1 billion in insider loans were siphoned off in recent years. Kabul Bank had ties to major Afghan contractors employed by the United States and ISAF, and helped fund President Karzai's reelection campaign in 2009. It also served as a visible marker of the national-level political settlement in Kabul by tying together a number of key networks, most notably those of its shareholders Mahmood Karzai, brother to the Kandahari Pashtun president, and Haseen Fahim, brother to Panjshiri Tajik vice-president Marshall Fahim. While the Karzai-Fahim alliance has been crucial to stabilizing relations between North and South, cuts in the resource flows that have financed it may disrupt those relations. Similar political settlements underpinned by international resources exist at the regional, provincial, and local levels across Afghanistan.

This paper uses the PSC industry as a lens through which to examine one facet of the political economy of transition. The PSC industry has become deeply enmeshed with the political economy of Afghanistan's pre-existing commander networks; that is, international spending has become implicated in political settlements by empowering certain informal armed groups and commanders. Transition, and the accompanying drawdown in PSC employment, will affect these settlements in complex and potentially destabilizing ways. Moreover, at a broader structural level, the large size of the industry means that a substantial pool of armed men will be facing unemployment.

The point here is that the international presence does not stand outside of the country's political settlements, but rather is party to them. For example, international military and development spending has shaped and constrained center-periphery relations in Afghanistan, often in unintended ways. The money spent directly by ISAF, international development agencies, and NGOs outside of government institutions, largely targeted to insecure areas, has created peripheral political economies that can only be controlled by Kabul via informal patronage networks, often at the expense of institution-building and formal state legitimacy. As a case study, this paper takes up the recent history of Kandahar Province in southern Afghanistan, where the president's late-brother, Ahmed Wali Karzai, succeeded in assuming control of the province's political economy from a U.S.-backed rival strongman, in part by taking over lucrative contracting and PSC networks.

Karzai has also struggled to wrest these political economies from the international community. In August 2010, the president announced a ban on PSCs, and by March 2012, PSC operations had begun to be transferred to a parastatal corporation, the APPF. While APPF has yet to incorporate the vast majority of PSC operations, particularly those controlled by strongmen in the provinces, the transition to APPF—in the face of marked reluctance by the international community and staunch opposition within

the PSC industry itself—amounts to an attempt to strengthen central government control over peripheral actors by pushing out international development and military actors and their local clients.

The conflict over APPF is part of a wider pattern of crises over international oversight over anti-corruption investigations and election monitoring that have, as their central tension, a power struggle between Karzai and his patrons. In this vein, the continued use of so-called "Campaign" PSCs, or private militias, for counter-terrorism operations by U.S. Special Forces and the CIA may well provoke the next serious dispute between Karzai and the international community. As transition approaches, it is therefore worth revisiting the wider set of tensions between the international community's military objectives of counter-terrorism and the political objectives of state-building, which counterinsurgency policies have failed to resolve.

More than two decades ago, as Soviet forces withdrew from Afghanistan, the Afghan central government, its bureaucracy, and its security forces were, by a number of measures, objectively stronger than they are today. Najibullah's eventual downfall was due to a breakdown in the political settlements that held pro-government forces together, which were inseparable from the political economies that had emerged during the war and were disrupted by the Soviet withdrawal and collapse. Today, as Afghanistan and the international community attempt to bring an end to the violence that has plagued the country, efforts at reconciliation will need to take into account the shape of current and future political settlements in Afghanistan and the complex and often unpredictable ways in which the country's political economy will be reconfigured by transition.

1. Afghanistan's private security industry and its pre-2001 roots

Although before 2001 PSCs were unknown in Afghanistan, today they perform a wide array of tasks. These include guarding military bases, development project sites, and housing compounds; escorting logistical convoys; protecting VIPs; and providing a number of unarmed services such as risk-management consulting and private intelligence.[2] As in Iraq, the dramatic rise of the PSC industry is linked to a privatized model of military and development contracting and a highly insecure and unstable post-invasion environment. In Iraq, however, PSCs were typically international companies that employed third-country nationals, mostly from South Asia, for their guard forces, along with a small managerial elite of Western security contractors. By contrast, in Afghanistan PSC guards are overwhelmingly Afghan—some 95% of U.S.-contracted PSC staff in 2010.[3] Moreover, in Afghanistan the majority of PSCs are Afghan-owned either in whole or in part.[4] This means that the PSC industry in Afghanistan is far more enmeshed with the country's politics and economy.

Current estimates of the number of armed guards employed by the PSC industry in Afghanistan range from an internal ISAF survey that counted 31,250 current and projected guards directly employed on military contracts to the figure of 70,000 cited by industry and research groups.[5] These figures suggest that the PSC workforce today is at least roughly equivalent in size to the pre-surge ISAF force. The scale of the PSC industry's Afghan workforce is also matched by the degree to which Afghan powerbrokers and commanders are involved in its ownership and operation. Relatives of President Karzai, Vice President Fahim, former Defense Minister Wardak, Sighatullah Mojadidi, and former Senate Speaker Abdurrab Rasoul Sayyaf have all owned PSCs. And at the provincial level, many powerbrokers owe their ascent to resources and armed groups they've accumulated through the industry.[6]

The PSC industry forms part of Afghanistan's conflict economy. Prior to the international intervention in 2001, Afghanistan experienced two decades of warfare that dramatically transformed its political and economic

PSCs and combat

The size of the PSC industry in Afghanistan is reflected in the extent to which PSCs have participated in hostilities. For example, in the first half of 2010, there were more U.S.-employed PSC employees killed than U.S. soldiers (235 versus 195), and in relative terms PSC employees were 2.75 times more likely to be killed in combat.[7] These figures, which account only for registered PSC personnel, coupled with high-profile incidents in which PSCs engaged in serious combat—such as one incident in Helmand in which the Taliban attacked a massive project employing 1,200 guards, killing 21—added to the perception that the war was being fought as much by a chaotic and unaccountable army of PSC contractors as it was by the United States or NATO.[8]

landscape, creating a conflict economy that endures to this day. The large inflows of Soviet and U.S. patronage, coupled with the devastation that the fighting inflicted on the country's economy, led to the emergence of new types of political and economic organization typified by the commander network. These included informal armed groups on all sides of the conflict, whether local militias mobilized by the Communist government or mujahidin insurgents. Commanders and their networks frequently participated as entrepreneurs of violence in localized political economies that revolved around the physical control of logistical routes, border crossings, mines, and drug cultivation areas, in a process that empowered the "borderlands" vis-à-vis what was left of the central state.[9]

Following the attacks of September 11, 2001, the initial U.S.-led military campaign against the Taliban regime relied mostly on Afghan proxy forces for territorial control, spearheaded by U.S. Special Forces and airpower. After the fall of Kabul, the United States was initially determined to maintain a "light footprint." Control of the logistical routes into landlocked Afghanistan—which ran over rugged, remote, and lawless terrain—was contracted out to local strongmen, as part of the larger counter-terrorism–driven strategy of relying on militias. In addition to a source of income, association with the overwhelming might and wealth of the United States provided these militias with legitimacy and strength in local disputes. For the United States, these local partners provided usable intelligence in their hunt for "terrorists," a reserve of auxiliary manpower, and sometimes a proxy force for conducting covert activities such as cross-border raids into Pakistan. Moreover, with the onset of international development and stabilization spending by the military, many informal armed groups evaded disarmament by performing PSC work, for which salaries were generally higher than those paid to the ANSF.

This economic symbiosis among the international military forces and development projects and informal armed groups would come to impede efforts by the Afghan central government and the international community to disarm the strongmen and their networks, thus ensuring continuities with the pre-2001 conflict economy. Figures from the failed Disarmament of Illegal Armed Groups (DIAG) program provide further evidence of the link between this symbiosis and the failure of disarmament. The 25,000 weapons collected by October 2006 are overwhelmingly from the north (18%), northeast (35%), and west (18%), versus the south (2%) and southeast (5%), despite the widespread prevalence of illegal armed groups throughout the country.[10] The predominantly Pashtun south and southeast, of coursThe predominantly Pashtun south and southeast, of course, were the site of the bulk of U.S.-led military operations and associated development efforts. In short, the employment offered to informal armed groups ensured the integration of commander networks into the political economy of international contracting, via the nascent PSC industry. With a dramatic inflow of international resources accompanying the U.S. military surge, the PSC industry would grow to mammoth proportions and have an outsized impact on the fledgling Afghan state.

2. The Surge

Between 2001 and 2012, the United States spent $557 billion on the war in Afghanistan. While much of this spending went to purely military uses, by 2010, the international community's total development spending that year amounted to $15.7 billion, roughly equivalent to Afghanistan's GDP. According to the World Bank, the Afghan state is an "extreme outlier" in its aid dependency, with $9.4 billion in public spending in 2010–11, compared to $1.65 billion in revenues.[12] Two-thirds of civil servants' salaries were paid for directly Two-thirds of civil servants' salaries were paid for directly by international donors; in effect, the international community ran a parallel state, with 77% of all aid up to 2009 delivered with little or no Afghan government involvement in either decision making or delivery.[13]

On the military side, between 2006 and 2011, the U.S. presence in Afghanistan quintupled from 20,300 to some 99,800 troops deployed in-country, along with 90,339 U.S.-employed contractors. The surge in troop levels was matched by a surge in PSC employment. In September 2007, there were 3,152 PSC companies registered as being employed by the Department of Defense, a number that had risen by 16%, to 3,689, in December 2008. From December 2008 to December 2010, however, U.S. employment of PSC guards rose by more than 400%, to 18,919.[14] There are no reliable figures for what portion of development spending went toward private security. One study cited an estimate of 10% to 20%, which though high may have been true of contracts in high-risk areas.[15] The United States reports direct expenditures of $3.8 billion on guard services in Iraq and Afghanistan from 2002 to mid-2011, though this figure does not include all costs for guards paid by numerous subcontractors, including security for supply convoys and development projects.[16]

As international resource inflows swelled post-2006, the growth of the PSC industry followed the geography of the international military presence and the development and stabilization projects associated with it, which remained concentrated in the south and southeast. This was driven both by the employment of local guard forces for base defense, and by the convoy escort business that traveled along logistical lines that supplied those bases, most notably the Kabul-Kandahar route, known as Highway 1, which saw constant fighting between PSCs and insurgents. Some of this violence was driven by the struggle for contracting money, as had incentives for PSCs to maintain a level of insecurity sufficient to justify high security costs. Many PSC convoy commanders ran what was in essence a protection racket.[18] In a sense, the convoy violence can be likened to Somali piracy, where in both cases highly

Employing local commanders

In many instances the impact of the PSC industry on local political economies was largely unintentional and unforeseen. For example, as detailed in a 2010 U.S. Senate report, when the U.S. military built an airbase in Shindand District in Herat Province in 2007, security was contracted to ArmorGroup, an international PSC. ArmorGroup, whose staff had no understanding of local politics or history, was referred by the U.S. military forces deployed there to two local, feuding strongmen, Nadir Khan and Timor Shah. The U.S. officer who referred ArmorGroup explained that he wanted to stop the flow of job seekers from the local community who were "bothering us during operations".[17] He suggested the commanders as points of contact, at which point the locals stopped coming to the base. Despite the fact that both men were contracted by the U.S. military and that local elders attempted to broker a ceasefire, the strongmen continued their feud, with Nadir Khan assassinating Timor Shah in December 2007. In early 2008, another U.S.-contracted PSC in the same area, EOD Technology (EODT), had a similar experience. Though EODT's staff first tried to approach the local community for labor, they were overwhelmed by a crowd of 2,000 job seekers for 350 positions, and turned to a local commander named Said Abdul Wahab Qattili, who was affiliated with a militia that answered to the regional powerbroker Ismail Khan, and who had formerly worked with USPI. The Senate report also found that portions of payments to Afghan PSCs had ended up funding the Taliban.

valuable cargo passes by impoverished but well-armed populations.

The convoy business encouraged new alliances and political settlements that crossed provinces and even regions, cutting across old political and ethnic divides. The new demands of the PSC industry and international contracting also precipitated a generational shift. Just as the traditional class of khans—village landlords and tribal leaders—had been replaced by the commanders during the Soviet occupation, so in turn have the jihadi strongmen sometimes been superseded by a younger generation. While these younger strongmen can still mobilize armed commander networks, they also have access to the education and experience to interact with the international community. Indeed, Afghan PSC companies have become increasingly professional and have vertically integrated their operations from ground-level mobilization of armed networks up to bidding for international contracts, frequently by hiring ex-NATO military officers and other highly paid expatriate staff to "interface" with the international military.

The size of the PSC industry and its entanglement with Afghan politics shows how international spending, rather than the policies and institutions of the central state, determined the distribution of power. President Karzai and the central state had their institutional power constrained as a result of local strongmen's access to international money. This in turn created an incentive for the state to directly intervene in private accumulation and patronage in order to control these peripheral political economies and the strongmen they sustained. As a number of analysts have noted, Karzai has managed peripheral elites through patrimonial strategies that have consistently undermined institution-building.[19] In other words, to centralize power, Karzai had to get into the contracting game himself or be marginalized. In Kandahar, he did so through his brother.

3. State-periphery relations: The case of Kandahar

Kandahar Province in southern Afghanistan has historically played a kingmaker role in Kabul politics, and the post-2001 period has been no exception. The initial years in Kandahar were marked by a power struggle between rival aristocratic tribes: the Barakzai under Gul Agha Sherzai, the Alokozai under Mullah Naqibullah, and the Popolzai, led by President Karzai's half-brother, Ahmad Wali Karzai. These rivals did not compete for an authority based on tribal lines per se. Rather, patronage funded by international spending flowed through kinship-based networks. Success in this competition was determined by proximity to U.S. and international military power and resources.

Sherzai, who had been accompanied by U.S. Special Forces during the fall of the Taliban regime, enjoyed the initial advantage. This allowed him to maintain a number of private armed groups with U.S. patronage, which he used both to pursue al Qaeda and the Taliban, and to monopolize gravel and labor contracts at Kandahar Air Field.[20] By contrast, the Alokozai, who were given positions in the official security forces, were marginalized early on, due in large part to their lack of access to U.S. patronage. Ahmad Wali Karzai, however, was able to cultivate a close collaboration with the United States from the beginning. Crucially, he provided the initial recruits for the militia that guarded the CIA station at Taliban leader Mullah Mohammad Omar's former compound, now renamed Camp Gecko, a militia that would later become the Campaign PSC known as the Kandahar Strike Force.[21] He also provided the CIA with information on Taliban leaders, including passport photographs from the office of the Ministry of Foreign Affairs in Kandahar.

Ahmed Wali eventually outmaneuvered Sherzai, who was pushed out as governor in 2005.[22] He consolidated power in Kandahar by establishing himself as the central node in the networks that dominated provincial politics, most notably tribal patronage, business, international contracting, the opium trade, and the commander networks. Control of the PSC industry, and therefore

informal armed groups, was crucial to that position. In addition to supplying recruits for the CIA's Kandahar Strike Force, a number of Karzai relatives were involved in their own PSC companies.

This "corrupt," patrimonial style of governance was funded by the scale of international money flowing into the province. In 2010, for example, the United States disbursed nearly $276 million in Commander's Emergency Response Program (CERP) funding in Kandahar, out of a budget of $619 million for the entire country.[23] That same year the United States budgeted enough to apportion $650 for every resident of Kandahar, some two to three times the per capita income.[24] The struggle for a share of this wealth permeated every level of the Afghan government. For example, it became common practice for Afghan National Police (ANP) commanders to "rent out" their men to development contractors in the areas that they controlled, in arrangements that amounted to extortion rackets. Contractors who refused to hire the local commander's police officers—at a going rate of $250 per officer per month in the summer of 2010—would quickly face threats attributed to the "Taliban." One senior police official at the Criminal Investigations Department in Kandahar estimated that half of the targeted killings in the city were related to criminal activities and feuds over contracting.[25]

This flood of international money—vital to achieving preeminence over rival strongmen—could be captured if the market was skewed through official corruption and informal coercion, which Ahmad Wali was able to accomplish via his networks in the central state. This necessitated "the criminalization of the state," where corrupt officials with links to shadow economies were favored at the expense of institution-building.[26] The converse—independent state institutions—could be threatening to Ahmad Wali. One governor, Rahmatullah Raufi, a former Communist general, was removed after clashing with Ahmad Wali, as was Esmatullah Alizai, a professional police chief. The subordination of official positions to informal power networks was made apparent when Kandahar police chief Matiullah Qateh was killed in June 2009 in a confrontation with members of the CIA Campaign militia, the Kandahar Strike Force, who entered his office after police had arrested one of its members. Subsequent to 2009, security officials appointed in Kandahar have mostly been Karzai loyalists.

International money was the linchpin of the system that Ahmad Wali built in Kandahar. Initially a peripheral actor, Sherzai was able to dominate this political economy in opposition to the center. Later, with Ahmad Wali's rise to preeminence, the periphery was integrated into the center's networks at the price of the criminalization of the state. Despite his subsequent unpopularity among internationals, Ahmad Wali was able to achieve a broader base of support than Sherzai by tying together a wide array of actors, across a spectrum of tribes, to monopolize access to international money. With his assassination and the impending drawdown of international forces, it is possible that his system will fragment, bringing further instability to Kandahar. In the spring of 2012, the Karzai family's largest business venture, the Aynomina property development, was reportedly experiencing financial difficulties, contributing to tensions among the brothers. At the same time, Kandahar's powerful new police commander, General Abdul Raziq, has been consolidating power in local security services. Raziq's ascension may well mark a retreat from contracting coalitions back to the strongman politics that characterized earlier periods in Kandahar.

4. The Afghan Public Protection Force and the struggle for sovereignty

For the past two years, the Afghan government and the international community have been involved in a protracted crisis over the regulation and control of the PSC industry. PSC regulation was virtually nonexistent until the beginning of 2008, when licensing was placed under the DIAG section of the Anti-Terrorism Department of the Ministry of the Interior (MOI).[27] Enforcement was extremely limited, and the issue remained a low priority for both the Afghan government and the international community.[28] By late 2009, however, tensions surrounding the PSC industry had grown, as conflicts between the Afghan government and its international allies over corruption and counterinsurgency tactics mounted. In response to growing international and domestic criticism of PSCs, in August 2010 President Karzai decreed that all PSCs in Afghanistan would be dissolved by the end of the year, to be replaced by the APPF.

Karzai's deft maneuvering left internationals scrambling to save the very industry they had been criticizing. The internationally owned PSCs opposed what amounted to a nationalization of their industry, as did the development contractors, who had concerns about the safety of their employees. The development contractors and the PSCs therefore presented a united front to ISAF, threatening to cite force majeur and abandon their outstanding contracts.[29] The APPF, which had existed since 2009, had, at the time The APPF, which had existed since 2009, had, at the time of the announcement, approximately 5,500 guards and lacked capacity or experience to replace the PSCs.

The ban on PSCs was deferred twice, the first time to March 2011. At that point, a second compromise was negotiated to extend the deadline another year and implement a "bridging strategy," designed by presidential advisor Ashraf Ghani and Interior Minister Bismillah Khan. Karzai was reportedly furious at the extension, and adamant that it would be the last one.[30] At the time of the second extension, a clarification was given that embassies would be exempt under the Vienna Convention, and therefore free to hire PSCs, and that ISAF contracts for "fixed sites" would be given up to two years, until 2013. There was also agreement that PSCs could become "Risk Management Companies," (RMCs), which would allow their (primarily expatriate) managerial and supervisory staff to keep their personal weapons, but not employ Afghan guards.

APPF and RMCs

Under the new regulations, companies contract directly with APPF for private security services, with APPF charging a 20% overhead. While companies typically will transfer their existing guard force, along with its weapons, to the MOI, APPF will assign a specified number of its own officers to the project, who will be responsible for managing personnel. Within APPF, a sharp distinction is made between PSC guards who join the APPF, with three specific "guard" ranks reserved for them below the standard MOI rankings of regular APPF staff, a distinction that is likely to increase PSC guard force reluctance to join the new parastatal. All APPF guards will be enrolled in biometrics and their weapons licensed with the MOI.[31]

By the end of March 2012, eight RMCs had been registered, out of the 45 previously licensed PSCs.[32] International RMCs must pay a $120,000 licensing fee and deposit a $400,000 bank guarantee.[33] These figures are halved for local RMCs, and a number of international PSCs reportedly were using local partners as a front to reduce costs and attention from the Afghan government—a reversal of the earlier cloak on Afghan ownership, and an indication of how much the main source of regulatory pressure is now the Afghan government, rather than international oversight.[34]

At least two PSCs, Hart Security and Controlled Risk, are reported to have stopped operations rather than transfer to the new regulatory structure.[35] However, despite the increased cost and uncertainty, the majority of international PSCs have remained working in Kabul, mostly because the largest portion of their profits is derived from expatriate contractors, rather than Afghan guards who must be transferred to APPF.

As late as November 2011, ISAF officials were adamant that both convoy and development projects would be completely transitioned by March 21, 2012. However, when the deadline arrived, it was extended for at least another two months, and government officials were instructed not to take action against PSCs in the meantime. As of September 2012, APPF transition had reached only a fraction of PSCs operating in Afghanistan. Moreover, it appears that convoy guards have been given the exemption extended to ISAF base and construction contracts, meaning they will be exempt from APPF transition until March 2013.[36]

For the moment, the PSC and development industry's "red lines" have for the most part been granted. Contractors are allowed to carry weapons under new RMC licenses, and RMCs will control and design security. Moreover, while an APPF academy has been set up with the help of ISAF, it will not produce a sufficient number of graduates to meet the demands of the industry in the near term, and RMCs will continue to recruit and train their own guard forces. APPF is in many ways, for the moment, merely a veneer of state control, albeit one that exacts a considerable premium in cost and uncertainty.

The APPF process highlights the complex power struggles involved in transition, and how increases in state control do not necessarily translate to increased institutionalization. Karzai's abrupt ban on PSCs provoked widespread puzzlement, given the deep involvement of his allies in the PSC industry. Yet while some observers saw it as a cynical ploy to deflect pressure at a time when Karzai was facing heavy criticism over corruption, his administration has moved forward with APPF in the face of concerted opposition from the international community. As an MOI white paper from 2009 shows, APPF was part of a larger plan by Afghan officials—many of them Western-educated technocrats or former Communist officials who strongly favored state-centric models—to consolidate state control even prior to the tensions over corruption.

Yet, inasmuch as they were an attempt to strengthen the state, the PSC regulations have also strengthened the very tools of patrimonial governance that have undermined institution-building. Karzai and other central elites used the PSC ban to exert pressure on rival powerbrokers while rewarding local allies.[37] Powerbrokers with good connections to the central state were able to maintain their PSC activities. In this respect, the PSC industry regulation resembles counter-narcotics in developing countries, where inconsistent enforcement has transformed a competitive industry into one dominated by cartels with closer links to the central state.

A number of unresolved issues therefore remain with APPF. Only a fraction of PSC activity in Afghanistan has been transitioned to APPF, using the most professionalized PSC guard forces. There appears to be no plan for how large powerbrokers involved in the PSC business will be absorbed. Moreover, while both the Afghan government and the international community appear to be satisfied for the moment with the veneer of APPF on top of the RMCs, a significant incident involving APPF, such as a "green on blue attack," could precipitate a faster drawdown in projects, as contractors' costs increase or they abandon the country altogether.

As APPF's capacity and control increases, it may come to play a greater role in extending Afghan state control to informal armed groups that operate within the political economies generated by international PSC contracting in areas outside of Kabul, such as the large convoy militias maintained by the Urozgan strongman and police chief Matiullah Khan. The question remains, however, whether APPF will co-opt these groups, or vice versa—that is, whether the absorption of major powerbrokers and their patronage networks into APPF will corrupt the institution, given the powerful financial interests involved in maintaining the status quo in areas where local strongmen reap large cuts of international spending.

5. Scenarios for transition: Special Forces, informal armed groups, and Washington-Kabul relations

U.S. and international patronage of PSCs and informal armed groups has been a significant source of tension between the Afghan government and the international community. As in Iraq, the drawdown in international military forces may mean, at least in the short term, a greater reliance on contractors and PSCs. Moreover, the current consensus in policy circles is that the United States will move toward a counter-terrorism strategy built around Special Forces and the CIA, which operate with a light footprint and reduced oversight. This raises two areas of concern: first, that this may lead to future breakdowns in the relationship between the Afghan government and the international community, and second, that it may contribute to the growing proliferation of informal armed groups that are funded by the international military forces outside of Afghan government control.

The Khost Campaign PSC

The link between U.S. patronage of informal armed groups and the failure of disarmament is well illustrated by the case of General Khialbaz Sherzai, a former communist official from the southeastern border province of Khost. In early 2002, Khialbaz returned from exile and offered his services to then-governor Hakim Taniwal. Khialbaz was able to mobilize a network of former communists in Khost, mostly veteran military officers who had served in the Najibullah regime. By 2003, Khialbaz's militia, registered as the 25th Division under the Afghan Military Forces framework, consisted of a reported 300 officers and 1,400 soldiers, was armed with artillery and tanks, and worked closely with U.S. military forces in the area.[38] While the 25th Division was officially disbanded and demobilized, Khialbaz's network remained intact, with some of his men joining local ANP units and others remaining in an extra-legal, U.S.-allied militia.[39] Elements of this militia eventually would become the CIA-funded Campaign PSC known as the Khost Protection Force, which engaged in cross-border raids into Pakistan as late as 2011.[40]

As part of the plan for security transition, U.S. and ISAF Special Forces are currently supporting local militias in Afghanistan under a variety of programs, most notably the Village Stability Operations (VSO) platform that establishes and trains Afghan Local Police (ALP).[41] The use of PSCs by Special Forces and the CIA in similar roles, however, is less well known. Initially ad hoc arrangements with local militias, these would become known as "Campaign" forces among Afghans, and were used both for base defense and military operations. Their financial arrangements would later be formalized as PSC contracts, in order to provide them a space outside of the ANSF reforms that were undertaken beginning in 2005. The PSCs belonging to Special Forces are known by the general military term "Afghan Security Guards" (ASG), and there are believed to be seven CIA-sponsored militias, including the Kandahar Strike Force, the Khost Protection Force, and the Paktika Defense Force. The Campaign PSCs differ from regular PSCs in that they are used in military operations and represent a deliberate attempt to influence the local political landscape by bolstering allies and undermining hostile actors. In this, they resemble the militia programs, but they are not integrated, even in name only, under any sort of Afghan government control.

If, as U.S. policymakers have suggested, Special Forces and the CIA will take the lead in the counter-terrorism mission in Afghanistan post-2014, an archipelago of small VSO-type bases would mean a widespread diffusion of local PSCs, in arrangements that would likely overlap with the militia program. Yet it is unclear how Special Forces and CIA-backed PSCs will be integrated into the APPF program. Under the APPF strategy, ISAF has been given an additional extension through to March 21, 2013, to use PSCs. However, there are currently no known plans to transfer the Campaign PSCs into APPF. Continued use of PSCs by the U.S. military past the 2013 deadline will likely lead to further crises in the relationship between Afghanistan and the international community. Past crises have been triggered by disagreements over high-profile corruption cases and air strikes, but are ultimately a product of President Karzai's struggle for Afghan sovereignty—for better or worse—over such critical areas such as law enforcement, elections, and control of security forces.

PSCs and militias that are funded directly by international military forces, and therefore unaccountable to the central government, have the potential to be the next area of disagreement.

Moreover, the overlap between militias and PSCs will likely contribute to the growing fragmentation and insecurity in the country. These groups are largely unaccountable to the central government, and have been accused of serious human rights violations and involvement in criminal activities.[42] As PSC employment opportunities recede, it is increasingly likely that these groups will turn to predatory or criminal activities. Moreover, they pose a dilemma for the central state, which will need to find ways to co-opt these groups as international military forces draw down, but risks being drawn into a vicious cycle whereby escalating patronage leads to further independence from the state—as Najibullah's government was post-1989. While the militias the United States is arming—for the most part with light weapons—do not resemble in size or scope the large, heavily armed units the Soviets armed, their involvement in peripheral political economies, their links to local strongmen, and their uneasy relationship with the central state are strikingly similar.

6. Scenarios for transition: The political economy of political settlements, present and future

According to a recent World Bank study, the macroeconomic effects of transition to Afghan security control by 2014, and the accompanying drawdown in ISAF and U.S. troop levels and international military and development spending, may be less than expected, given how little of that money has actually entered the Afghan economy. However, even under the best-case scenarios projected by the World Bank, which contain optimistic assumptions about mining and agricultural revenue, unemployment will rise, growth will slow, and per capita growth will nearly flat line.[43]

Moreover, while the World Bank report does not foresee drastic changes in Afghanistan's overall level of under- and unemployment, certain politically sensitive microeconomies built around international contracting are likely to be severely impacted by transition. The PSC industry, which is largely dependent on military contracting, will be among those most affected, and the tens of thousands of guards employed by the industry will add to the wider problem of unemployment in Afghanistan's security sector. In order to bridge the fiscal gap, the ANSF levels are projected to be cut by roughly 100,000 soldiers and police by 2016. This, coupled with the need to reintegrate former insurgents under any future peace deal, suggests that Afghanistan will require a comprehensive approach to disarmament and reintegration aimed at former ANSF, PSC guards, members of informal armed groups, and former insurgents.

Under a best-case scenario, there may well be some potentially positive consequences of the reduction in international spending. As this study of the PSC industry illustrates, international spending can generate perverse incentives and harmful effects. In areas where aid and contracting have been encouraging conflict—most notably along convoy routes—transition may bring about a reduction in violence. The drawdown in international spending may also in some cases strengthen the central state vis-à-vis peripheral actors who had previously benefitted from sources of income and patronage derived

directly from international spending in their areas. It will also help rebalance many of the rentier dynamics that have hampered the development of Afghanistan's domestic economy, politics and civil society, and bureaucracy. With the reduction of a highly paid, internationally financed civil service, and greater parity between private- and public-sector salaries, some incentives for small-scale endemic corruption will be reduced. Lower inflation and a reduction in the currently inflated value of the Afghani may allow Afghan industries to become more competitive. In theory, though Afghans will inevitably experience harsh and austere economic conditions, it's possible that a drawdown in international spending could pave the way for a form of Afghan politics that places greater emphasis on popular mobilization and therefore greater accountability, and is rooted in indigenous bases of support and therefore more stable.

However, as the World Bank forecasting model and comparative studies suggest, the greatest danger is not an economic recession per se, but the risk of a catastrophic collapse triggered by political instability and violence. Transition will generate a wide array of instabilities due to the fact that Afghanistan's contemporary political settlements are in large part based on the mutual benefits derived from international military and development spending.[44] That is, politically, Afghanistan remains highly fragmented among rival networks of strongmen who have been co-opted by the central state and international community in return for access to the lucrative opportunities available post-2001, thereby discouraging them from disrupting the reigning political settlements. At a national level, these political settlements are best embodied by the financial arrangements behind Kabul Bank, which brought a diverse array of actors together, ranging from southern Pashtun networks around the New Ansari market to northern Jamiat commanders allied to Marshall Fahim. This Karzai-Fahim alliance has been crucial in stabilizing the agreement between North and South, but it remains to be seen how it will be affected by the cuts in international spending. This situation also exists in the form of many smaller settlements at the regional and local levels, particularly in areas where PSC and international contracting has empowered certain informal armed groups and commanders. The interlinking of international spending and political settlements helps explain the apparent paradox that, even though such spending—most notably in the case of PSCs—has contributed to instability, the drawdown will likely generate further political instability, at least in the short term.

An international drawdown will inevitably recalibrate center-periphery relations in complex and unpredictable ways. Future struggles over decentralization will be affected by peripheral political economies linked to the international military and development presence. While under current plans development spending is forecasted both to decrease and be increasingly channeled through the Afghan government, any future U.S. military presence will inevitably generate peripheral political economies around base construction and security—not to mention the use of private militias like the Campaign forces.

Conclusion

The Afghan government and its international supporters launched the ongoing transition process with a vision of concluding a decade of unprecedented international involvement in Afghanistan. This handover process has been conceived as a technical exercise, one defined by broad institutional objectives—handing over security responsibility to ANSF; enhancing the capacity and effectiveness of civil service; and increasing the percentage of international aid delivered through the Afghan government's budget.

Despite their considerable scope, the achievement of these technocratic milestones may not ensure stability in the near or medium term. More than institutional structures, stability in Afghanistan depends on ensuring a political settlement among the country's diverse powerbrokers and networks. Without such an agreement, this report has argued, even the most robust ANSF presence, capable civil service, and sustained international assistance will be unable to prevent a possible return to violence and political crisis.

International spending has forged a bought peace in Afghanistan. Kabul has used informal patronage to

control peripheral powerbrokers and networks, many emboldened by international spending in insecure areas, at the expense of state legitimacy or institution-building objectives. The expected decrease in international spending will alter the national political economy and, by extension, the basic bargains from which the Afghan state has operated over the last decade.

Bargaining in Afghanistan will be as much a product of deals and coalitions around resources—that is, political economy—as it is a function of rhetoric, ideology, or ethnic affiliation. The changing political economy therefore creates new political possibilities for Afghanistan. As discussed earlier, the planned presidential elections in 2014 will offer both the risk of increased instability, and an opportunity for Afghan elites to renegotiate a more inclusive, open order that has a chance at long-term stability. The international community should urgently examine the ways in which its spending and political economy constrains or encourages a more open post-2014 settlement. A politics based on something other than patronage and corruption could develop, perhaps popular mobilization, accountability, and support from below. The changing political bargain, however, could also compound many of the principal challenges facing Afghanistan. Given the looming economic and security challenges post-2014, only a political settlement that gives leaders an incentive to integrate their followers into a national system will have a chance of preventing widespread instability.

Appendix 1: On PSC statistics

The U.S. military did not begin to track the number of contractors that it employed in Afghanistan and Iraq until the latter half of 2007, and, in keeping with general problems of oversight and accountability in military contingency contracting, there are questions about the reliability of those numbers. In December 2010, the United States employed 18,919 PSC guards in Afghanistan, a figure that represented almost two-thirds of all Kabul-registered PSC employees.[45] A separate Department of Defense contracting oversight body said it was "aware" of 26,000 PSC personnel working on international military contracts in May 2010, 90% (or 23,400) of whom were working on U.S. military contracts.[46] These numbers likely do not include the large numbers of unregistered personnel working on U.S. and ISAF military subcontracts, particularly in the convoy escort sector.

Similar official estimates for PSC employment with other ISAF countries are unavailable, but they likely employed a proportional number of PSC guards, which would suggest around 10,000 in total. One internal survey of 31 PSCs contracted by ISAF that was carried out in February 2011 counted 31,250 current and projected guards, a number that would have overlapped with some, but not all, of the PSC guards employed by the U.S. military. A concurrent survey counted some 3,425 guards employed on diplomatic contracts with thirteen countries and one international organization, a figure that was projected to rise to 4,689, largely due to the planned expansion of the U.S. embassy. The 52 PSCs registered with the MOI in 2011 listed some 30,000 employees, but many PSCs were widely believed to maintain a larger number of personnel than they registered, particularly if they operated outside Kabul. Therefore, upper-end estimates of the total number of PSC employees in the country ranged from 70,000, the figure cited by the Congressional Research Service, to between 60,000 and 80,000, the estimate offered by another contracting coordination body on international military and development contracts.

Endnotes

[1]See Goodhand and Mansfield (2010) for a discussion of political settlements in Afghanistan. For the wider literature, see Jackson 1990, Khan 2000, LeBillon 2007, DeWaal 2009, DiJohn and Putzel 2009.
[2]See Schmeidl 2008 and DiDomenico and Sherman 2009 for earlier studies of the PSC industry in Afghanistan.
[3]Schwartz 2011
[4]Schmeidl (2008:11) gives an estimate of 44% for registered Afghan-owned PSCs, but also notes that many foreign-owned PSCs either include Afghan partners, or use foreign ownership as a front for Afghan powerbrokers who do not want their involvement known.
[5]Internal ISAF report obtained by author, February 2011. Schwartz 2011 and 'Letter from OSAC to Ambassador Ryan Crocker', July 29, 2011. See endnote 1 for a further discussion of PSC workforce estimates.
[6]Most notable, among these provincial powerbrokers is Matiullah Khan, the preeminent figure in Urozgan who monopolizes convoy security on the Kandahar-Tirin Kowt highway. Other powerbrokers tied to the PSC industry include Abdul Wali Khan, known as Koka, who was formerly the police chief of Musa Qala and controlled lucrative routes to British and American military bases in Helmand, and Pacha Khan Zadran, a major strongman in southeastern Afghanistan.
[7]Schooner and Swan 2010, Schwartz 2011
[8]Rubin and Sahak 2010
[9]There is a substantive literature on commander networks and the pre-2001 political economy of Afghanistan. For example, see Rubin 1995 and 2000, Goodhand 2005, Giustozzi 2009.
[10]Giustozzi 2008a:180
[11]Belasco 2011:10
[12]World Bank 2011b:6
[13]World Bank 2011a:10, Poole 2011:9
[14]Schwartz 2011
[15]Sherman and DiDomenico 2009
[16]Commission on Wartime Contracting, 2011
[17]This account is drawn from the 2010 US Senate report, "Inquiry into the Role and Oversight of Private Security Contractors in Afghanistan."
International security contractor, Kabul, April 2012
[18]House of Representatives 2010 report "Warlords Inc."
[19]See Giustozzi and Orsini 2009, van Bijlert 2009, Schmeidl 2011
[20]ICG 2003, Chayes 2006, Giustozzi and Ullah 2007
[21]Filkins 2010a, Partlow 2011
[22]Forsberg 2010:23
[23]Internal ISAF report obtained by author, June 2011
[24]Surkhe 2011:136
[25]Interviews, Kandahar City, July 2010
[26]See Bayart (1999) for a discussion of this term.
[27]Schmeidl 2008:17, Brooking and Schmeidl 2008
[28]Sherman and DiDomenico 2009
[29]A liaison body between contractors and the U.S. government, Overseas Security Advisory Council (OSAC), cited four "red lines" on the part of the international development community: (1) that expatriate contractors be allowed to keep their weapons and provide an inner cordon of armed security; (2) that contractors maintain command and control over security; (3) that contractors maintain design of security; and (4) that contractors pay APPF guards themselves. Letter from OSAC to U.S. Ambassador Ryan Crocker, July 29, 2011.
[30]International advisor in the MOI, Kabul, July 2011
[31]SIGAR 2012:5
[32]"Procedure for Regulating Activities of Risk Management Companies in Afghanistan," Draft Document, Ministry of the Interior, 2011.
[33]International advisor in the MOI, Kabul, April 2012
[34]International security consultant, Kabul, March 2012
[35]ICG 2003:15.
[36]International advisor in the MOI, Kabul, April 2012
[37]For example, of the seven Afghan PSCs who had their licenses revoked, only Watan, owned by Karzai relatives, was able to get its license reinstated on appeal by the Afghan government.
[38]ICG 2003:15.
[39]Giustozzi 2008a:188.
[40]Smith and Gray 2011.
[41]Lefèvre 2010, HRW 2011
[42]Human Rights Watch 2011
[43]World Bank Report
[44]For a discussion of political settlements literature in the Afghan context, see Goodhand and Mansfield 2009.
[45]Schwartz 2011.
[46]Senate 2010:1.

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