

Dr. Nematullah Bizhan,
Research Scholar
The Australian National University
Centre for Arab and Islamic Studies
(The Middle East and Central Asia)

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Response to questions on notice

Following the public hearing of the 4th of December 2012 to the Senate Standing Committee on Defence, Foreign Affairs and Trade about the administration, management and objective of Australia's overseas development programs in Afghanistan in the context of the "Transition Decade"

Dear Honourable Senator Eggleston,

Following my appearance to the public hearing in December 4, 2012, I appreciate the opportunity to provide further information to the Australian Senate Standing Committee on Defence, Foreign Affairs and Trade (the "Committee") about the administration, management and objective of Australia's overseas development programs in Afghanistan in the context of the "Transition Decade".

This document responds to a request by the "Committee" to provide responses to the following questions. My responses are provided below each question in the following section.

Accountability and transparency

Q1. In your submission you stated that it is important to attach measurable conditions to assistance in order to create some positive incentives for the transition decade and foster accountability—holding a credible presidential election in 2014, transparency in public expenditure, inclusion of women in political and economic activities, and promotion of meritocracy in the public administration.¹

- In your view, is Australia attaching such measurable conditions to its assistance to Afghanistan?

Australia has included some conditions in its Memorandum of Understanding (MoU)² with the government of Afghanistan. However, some of these measures are broad and can be interpreted differently by various stakeholders, Australian and Afghan. There is a need for measures to be worked out by recipients rather than imposed from outside to meet donor accountability requirements. The basic issue should be to measure the effectiveness of aid as it impacts targeted recipients or objectives rather than so called

¹ Submission 13, p. 7.

² In 2012, the Australian government signed a Memorandum of Understanding (MoU) with the Islamic Republic of Afghanistan for a five year to facilitate Australia's development assistance contribution to Afghanistan. See AusAid, "Memorandum of Understanding "Development Framework Agreement" between the Government of the Islamic Republic of Afghanistan And the Government of Australia, 2012-2017,"

<http://www.usaid.gov/Publications/Documents/australia-afghanistan-mou.pdf>.

efficiency in aid administration. Sometimes an efficiently administered project could have negative impact.

The MoU says that the government of Afghanistan commits itself to fight corruption and build effective administration, it is imperative that special emphasis should be put on the promotion of meritocracy in the public administration. Politicisation of public administration has hampered development in Afghanistan and aid can play a role to create positive incentives in this regard. Additionally, the MoU indicates that the Afghan government should improve its fiducially control of public financial management, while less emphasis has been put on public expenditure transparency towards the Afghan citizens. The ways to measures these should be work out as part of the MoU or a separate document.

Australia should avoid trying to micromanage its assistance for Afghanistan. It is fundamental to development in Afghanistan that the Afghan parliament and public take a responsibility for aid implementation and oversight strategies. It should be important to devise means for monitoring or measuring the development of Afghan responsibility and accountability for aid implementation.

Q2. In your submission you suggested that Australia can achieve goals in collaboration with other international community members who are assisting Afghanistan. Further that already some useful platforms have been established inside the country for coordination, including the Joint Coordination and Monitoring Board (JCMB) and its sub-committees, and clusters/intern-ministerial committees.³

- Could you tell the committee more about the Joint Coordination and Monitoring Board?

The JCMB was set up in 2006 at the London Conference to ensure greater coherence among the Afghan government and the international community and oversee the implementation of the "Afghanistan Compact". Following the adoption of the Afghanistan National Development Strategy (ANDS) at the Paris Conference in June 2008 and the subsequent international conferences in support of Afghanistan, the JCMB expanded its focus from merely monitoring the implementation of the Afghanistan Compact to include the provision of strategic and policy guidance on the prioritized implementation of the ANDS as well as the political visions and priorities agreed upon by the Afghan government and the international community.⁴

The Afghan government Ministers Coordination Subcommittee, major donor countries ambassadors, heads of international aid agencies, and NATO/ISAF are the members. Australia is a member of the JCMB.

The JCMB thus plays an important role in building consensus between the Afghan government and the international community on policies and strategies and remains as a high level joint monitoring platform.

³ Submission 13, p. 7.

⁴ Islamic Republic of Afghanistan, "Kabul Process: Terms of Reference JCMB XV," Ministry of Finance, <http://www.thekabulprocess.gov.af/index.php/jcmb/background/12-Jcmb-background>.

The TOR and other details for on the JCMB are annexed.

- In your view, how well do Australia's government agencies and NGOs coordinate their activities in Afghanistan?

As far as I have information Australia's government agencies are working closely with the Afghan government and have established a very good working relationship. They are members of different coordination mechanisms in Afghanistan such as the JCMB. The MoU signed between the two governments indicates this relationship. Unfortunately, I do not have adequate information to comment on Australian NGOs status of coordination with the Afghan government nor their internal coordination.

However, the poor management of the Australian scholarships for Afghanistan through GRM International in 2012 indicates a poor state of coordination among potential scholarship awardees, the Australian government, and the company. Based on this I can say that while coordination between the Afghan government and Australian government is sound, this is not the case among the Australian government and the Australian companies inside Afghanistan.

Allegiances

Q3. In your submission, you observed that political fragmentation and a lack of consensus after 2014 'may prove very challenging for the Afghan National Security Forces, which are combined of different ethnicities'. Further that national and international actors need to be alert to the possibility of fragmentation within the security forces and they should take 'sensitive measures to reduce this risk' (submission 13, p. 5).

- Could you explain for the committee the nature and significance of the different ethnicities and loyalties in Afghanistan, their origins and how entrenched they are?

Afghanistan is a multi-ethnic society which represents its historical trajectory. There is no a reliable census available about the different ethnic groups in Afghanistan. No single ethnic group has an absolute majority in Afghanistan. The major ethnic groups are the Pashtun, Tajik, Hazara and Uzbek.

In the three decades of conflict ethnicity has been highly politicised in Afghanistan and therefore most of the political movements which came into being in this period have been dominated by a certain ethnic group. Foreign intervention especially by Afghanistan neighbours, Pakistan and Iran, exacerbate this situation. This means that there are ethnic based regional power bases which overlap within the centralised government, bureaucracy and military.

While ethnic cooperation has been encouraged since 2001, the situation remains fragile as necessary preconditions and institutions such the rule of law and credible electoral mechanism are yet to emerge. The situation and uncertainly largely have encouraged the politics of survival among the government leadership, as well as the society. This

tends to make people fall back on ethnic loyalties for support. The ethnic group is the ultimate refuge. In this context loyalty to the state may be compromised in favour of loyalties to local communities. This has an impact on how state institutions can operate, how foreign aid is distributed and implemented and ultimately may determine the course of stability, security and political legitimacy in Afghanistan.

Australian aid programme needs to be sensitive to this and to focus its aid project at national level and to not intervene directly with off-projects at local levels. Put simply, intervention at the local level should take place through the national policy and institutional framework.

- Could you explain the type of sensitive measures that may be required to reduce the risk of fragmentation within the Afghan National Security Forces?

Donor can play a major role in a highly aid dependent context of Afghanistan. A clear message and commitment for a long term support to Afghanistan is important to bolster certainty. This prevents from an abrupt shift of the population and the major societal actors behaviour. It is important to learn from the lessons, for example, in Uruzgan to appreciate the local power dynamics, as mentioned above. It is important not to side with one or another player at the cost of others. Instead the focus should remain on the national overarching process. The Australian assistance to the Afghan national security forces should therefore be accordance with the national policy of ethnic cooperation. While the Afghan National Army is seen as a credible institution in Afghanistan, it is very vulnerable to the political manipulation without this sort of support.

- In your view, does the donor community, including Australia, fully appreciate the complexities of the power dynamics within local communities in Afghanistan?

They maybe understand complexities but unable to operate effectively within that context. For example, in Uruzgon the priority to deliver projects with quick outcomes on the ground, led to agencies ignoring the power dynamics at the local level and bypassing the national institutions. This ultimately encouraged development of unhealthy relationship in long term.

- How could Australian agencies working in Afghanistan obtain that necessary understanding?

Allow more locals to participate in project designs and monitoring so that they can transfer their knowledge and experience. In long run the locals should take responsibility, and develop trust. The Afghan government should retain the main role and should confront the societal demands for accountability and service delivery. This will allow the Australian government to focus on strategic issues and prevent micromanaging its aid to Afghanistan. A better strategy for Australia would be to develop a comprehensive guideline on Australia's aid to Afghanistan which can bring clarity on different aspect of design, implementation and monitoring. There should be balance between short term objectives and long term ones. In this context, it should address the contextual power dynamics in Afghanistan.

Ensuring aid money stays in country

Q4. In your submission, you observed that much of the international spending has been spent outside the country or has left the country through imports, expatriated profits and outward remittances (submission 13, p. 6).

- In your view, what channels for delivering aid are most prone to this type of leakage of funds (expatriated profits, outward remittances)—multinationals, NGOs?

The most channels prone to leakage of funds are corporate profits and consultant salaries. The foreign consultants do not pay taxes to the Afghan government as they are exempt from tax. In this regard, over reliance on multinationals and international NGOs/consultancies have been the major channels for leakage of funds.

Much more attention could be made to recruiting local personnel capable of performing the same tasks and Australian officials who are knowledgeable of Afghanistan society and culture as well as technical matters in aid delivery who can mentor local recruits. It will be equally important to allow and encourage local procurement of domestic production and raw materials from local markets in Afghanistan through aid funded projects.

Evaluations

Q5. In their submission, Professor Howes and Mr Pryke noted that in general the Australian aid program has become more transparent and monitoring and evaluation have improved over time, but practice with regard to Afghanistan has lagged (submission 14, p. 18).

- Could you comment on the quality of Australia's evaluation of, and the way in which it monitors, its aid to Afghanistan?

Unfortunately I am not able to comment on the quality of Australia's aid evaluation. My assessment of aid in general to Afghanistan is that the quality of aid evaluations has been inadequate and inconsistent and has made little contribution in improvement in aid effectiveness on the ground.

The evaluations often concentrated to help provide an extension for contracts rather than strategic adjustment and termination of unsuccessful projects.

It appears Australia's monitoring and evaluation has the primary goal of satisfying accountability to the Australian Parliament and public. There is also the need for Afghan involvement in monitoring and evaluation. I would suggest that a greater attention should be paid to enhance the role of the Afghan public and the Parliament in aid oversight. Hence on their side they can hold the Afghan government and other actors to account.

End



Joint Coordination and Monitoring Board

A. General

The Joint Coordination and Monitoring Board (JCMB) was set up in 2006 at the London Conference to oversee the implementation of the "Afghanistan Compact" and to ensure greater coherence of the efforts by the Afghan Government and the international community in meeting the objectives agreed upon in the Afghanistan Compact. Following the adoption of the Afghan National Development Strategy at the Paris Conference (June 2008), the JCMB expanded its focus from merely monitoring the implementation of the Afghanistan Compact to include the provision of strategic and policy guidance on the prioritized implementation of the ANDS as well as the political visions and priorities agreed upon between the Afghan government and the international community at subsequent international conferences on Afghanistan in The Hague (March 2009), London (January 2010), and Kabul (July 2010). Participants further welcomed steps to strengthen the JCMB in its support role for the Kabul Process.

1. Objectives – The Board has four specific objectives:

- i. Ensure the development and implementation of a common vision on and understanding of the agenda to build a secure, prosperous and democratic Afghanistan through political dialogue, under Afghan leadership, and support the advancement of the process of transition to greater Afghan ownership and responsibility;
- ii. Provide high-level monitoring and follow-up of progress and challenges in the implementation of the Afghan National Development Strategy, and strategic guidance on priorities in the areas of security, governance and development as agreed at international conferences on Afghanistan in Paris (June 2008), The Hague (March 2009), the London Conference of 28 January 2010 and the Kabul Conference of 20 July 2010, or at future high-level conferences according to internationally agreed principles for effective aid;
- iii. Ensure and promote coherence in donor assistance and alignment of financial resources behind the nation-building priorities of the Afghan government;
- iv. Provide direction to address significant problems of policies, coordination, implementation, and financing, or any other obstacles and bottlenecks identified either by the Afghan government or the international community which require high-level attention in a spirit of mutual accountability.

2. Composition – The JCMB shall consist of senior representatives of the Afghan Government and representatives of the international community at Ambassadorial level:

Government representation – Nominated by the President, the permanent government representatives on the JCMB are members of the Clusters and of the Government Coordination Committee that is responsible for overall policy and strategic high-level direction for the implementation of the ANDS.

Representation of the international community – Apart from the UN, which will be the co-chair, representation of the international community is determined on the basis of the following criteria:

- **International development and military assistance:**
 - Development assistance contributors
 - NATO, ISAF and NTM-A / CSTC-A
- **Regional Representation**
 - Neighboring countries
 - Regional countries

Expansion of Membership – The JCMB may agree to expand membership with the concurrence of the co-chairs and JCMB membership consensus if countries or organizations that provide considerable financial or military support formally request full membership. The co-chairs may further invite guests from Government, the international community, Afghan civil society, the AIHRC, the elected bodies, and private sector or academia.

3. Chairmanship of the Board – The Board shall be co-chaired by the Afghan Minister of Finance and the Special Representative of the Secretary-General of the United Nations for Afghanistan (SRSG UNAMA).

4. Structure - A three tier system shall be formalized to ensure proper functioning of the Board:

Tier 1 – Formal and informal sector level coordination fora including the Government's clusters which identify issues for consideration by the standing committees (tier 2) and inform the co-chairs of the standing committees accordingly;

Tier 2 – Three Standing Committees in the areas of (1) Security, (2) Governance, Rule of Law and Human Rights, and (3) Social and Economic Development discuss, develop and filter issues for consideration by the JCMB and ensure follow-up from decisions taken by the JCMB. The Standing Committees are each co-chaired by an Afghan Government member of the JCMB, nominated by the co-chair of the Board, and by a UNAMA senior official as nominated by the SRSG. Membership is based on the JCMB membership, donor contributions and determined by the agenda of the meeting.

Tier 3 – The JCMB is the principal forum where the Government of Afghanistan and the International Community reach agreement on issues of strategic

importance and policy implications.

B. CONDUCT OF BUSINESS

5. Meetings – The JCMB, under the direction of the co-chairs, will review progress in implementation, coordination and monitoring of the agreements reached at the above-cited international conferences through periodic meetings of its members and informal consultations.

Meeting of Co-chairs: The co-chairs will meet as they decide to address any issue within the terms of reference of the JCMB. While consensus of the JCMB is the preferred basis for action, the co-chairs may make recommendations to accomplish the objectives of the JCMB; when necessary, they may do so in consultation with the President of Afghanistan.

JCMB Board Meetings: The co-chairs shall convene plenary meetings of the JCMB at least three times a year to accomplish the objectives set forth by the Board. The co-chairs may convene any members of the Board or other stakeholders, to address any matter pertaining to the objectives of the Board.

Standing Committee Meetings: All three Standing Committees shall meet at least once before the Board meeting. However, the co-chairs of each Standing Committee decide about the meeting schedule in coordination with its members, based on necessity. As JCMB decisions are substantially prepared at the Standing Committee meetings, their thorough preparation is imperative. The agenda of Standing Committee meetings and supporting documents for discussion respectively decision should be circulated at least seven days in advance of the meetings. International members of Standing Committees are those which provide donor assistance in the areas discussed at the meetings.

6. Agenda – The provisional agenda for the JCMB meetings will be drawn up by the co-chairs, on the basis of recommendations from the Standing Committees and in consultation with the members. The agenda will be adopted by consensus at the beginning of each JCMB meeting. The Standing Committees for their part will derive their agenda from the Tier 1 fora and/or issues needing follow-up from prior JCMB meetings, or as indicated by the Office of the Deputy Minister of Policy, Ministry of Finance, through the JCMB Secretariat. In addition, for the plenary Board Meetings, members may appraise the co-chairs of issues that they wish to be discussed. The agenda and supporting documents for discussion respectively decision at standing committee and board meetings shall be distributed at least seven days prior to the meetings.

7. Follow-up - To ensure timely follow-up on all JCMB decisions, the JCMB shall charge the relevant Standing Committee. The Office the Deputy Minister of Policy, Ministry of Finance shall monitor JCMB decisions and provide regular updates on implementation to the JCMB.

8. Minutes of the meetings – Minutes of JCMB and Standing Committee meetings shall be prepared by the JCMB Secretariat under the Office of the Deputy Minister of Policy, Ministry of Finance and shared with all members after approval by the respective co-chairs within two weeks after the meeting's conclusion.

9. JCMB Reports – An annual report shall be produced which provides an overview of the Board's decisions and progress of implementation.

Reporting cycle – The Annual Report shall be produced in March each year and report on the progress during the previous 12-month period. In this way, the Annual Report shall follow the cycle of the Afghan year. The Annual Report should be substantive, consisting of not only the report but also in-depth analyses, assessment of progress and recommendations.

Dissemination of the Reports – The Annual Report shall be published in English, Dari and Pashto and disseminated widely.

Preparation of the Reports – The Office of the Deputy Minister of Policy, Ministry of Finance will have primary responsibility for preparing the Annual Reports, under the supervision and guidance of the co-chairs.

C. Office of the Deputy Minister of Policy, Ministry of Finance

10. The Office of the Deputy Minister of Policy (MoF) will support the co-chairs in achieving the objectives of the JCMB. The Office of the Deputy Minister of Policy (MoF) was established in January 2010 and is responsible, per Presidential Decree, for coordination of implementation of the Afghanistan National Development Strategy and JCMB coordination. The JCMB Secretariat will perform logistical functions in support of Standing Committees and the JCMB.

11. The JCMB functions of the Office of the Deputy Minister of Policy, Ministry of Finance will include but not be limited to:

- a. Ensuring the proper functioning of the three tiers mechanism;
- b. Record proposals for JCMB and Standing Committee agendas as suggested by the respective tier level (sector coordination for a and standing committees);
- c. Track JCMB decisions, monitor the implementation of these decisions, follow-up to ensure compliance and report regularly on progress of implementation;
- d. Prepare for and document JCMB and Standing Committee meetings;
- e. Ensure that formal minutes of JCMB and Standing Committee meetings are shared widely;
- f. Prepare in cooperation with UNAMA the Annual Report for approval by the JCMB co-chairs and the JCMB, and share widely.