

Chapter 4

Challenges

4.1 A 2010 Afghanistan country level evaluation noted that while the volume of aid needs to increase to achieve development goals, the effectiveness of 'how' aid is delivered must also improve significantly.¹ Thus, with large amounts of development aid going to Afghanistan, it is imperative that the funds are directed to where they are most needed and to maximise the benefits to the Afghan people.

4.2 Before assessing Australia's contribution to the stabilisation and reconstruction of Afghanistan, the committee looks at the particular difficulties that donor countries, including Australia, face in their efforts to help the Afghan people rebuild their country and livelihoods. In this chapter, the committee considers the obstacles to delivering development assistance in Afghanistan in order to better appreciate what is needed to ensure that Australia's aid to that country is effective.

Impediments to aid effectiveness in Afghanistan

4.3 Afghanistan presents a most difficult, complex and challenging environment for those seeking to provide development assistance.² Some of these features, such as the country's terrain and climate, are fixed, others including social structures and behaviours can be changed or improved to help in the effective delivery of development assistance.

Physical impediments

4.4 The country's harsh physical environment makes it hard for donors to deliver aid effectively. The rugged terrain, severe climate of extreme aridity and cold and the poor state of the roads create challenges for those delivering assistance, especially to remote regions of the country.³ With four-fifths of the population living in rural and remote areas, the scope for economic development is limited. Destructive events, such as floods, droughts, earthquakes, avalanches, landslides and mudflows frustrate the efforts of many Afghans attempting to rebuild their country and of those helping them to recover from the devastation of war and natural disasters. For example, from 1 June

1 Ministry of Finance, Islamic Republic of Afghanistan, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan, 2010*, Baawar Consulting Group, p. 1.

2 See for example, Alex Thier, Assistant to the Administrator and Director of the Office of Afghanistan and Pakistan Affairs, U.S. Agency for International Development, The Brookings Institution, 'The State of Afghanistan', Washington, D.C., Tuesday, July 3, 2012; Asian Development Bank Afghanistan, Fact Sheet as of 31 December 2011.

3 Asian Development Bank, *Islamic Republic of Afghanistan, Country Assistance Program Evaluation, Independent Evaluation CE-28, 2012-2013*, p. 4. See also, CIA: The World Factbook—Afghanistan; UNICEF, Afghanistan, 'In remote Afghan mountains' http://www.unicef.org/infobycountry/afghanistan_55638.html (accessed 2 August 2012).

to 31 July 2012, the UN recorded 58 natural disasters in 57 districts, affecting 31,783 people, causing 116 deaths and destroying 2,046 homes.⁴

Magnitude of destruction and displacement

4.5 Not only does the physical environment create difficulties for rebuilding the nation, but the extent of devastation caused by years of civil war means that Afghans have a long and arduous road ahead if they are to lift themselves out of poverty and meet their basic needs. Indeed, Afghanistan is one of the world's least developed countries and the task of reconstruction was and remains formidable.⁵ As described earlier, the years of conflict and neglect left much of Afghanistan a devastated land.⁶ The loss of life, the sheer number of displaced persons, the widespread infrastructural damage, the substantial collapse of state institutions and civil structures and continuing insecurity which impedes development progress present clear evidence of the magnitude of effort required for recovery and reconstruction.⁷

Development needs

4.6 Moreover, development indicators including life expectancy, infant mortality and literacy rates are some of the worst in the world. Afghanistan has one of lowest life expectancy at birth of 48 years, though indicators suggest that this is improving.⁸ It has one of the highest maternal mortality rates in the world with 1 out of every 11 women dying from a complication related to pregnancy or childbirth.⁹

4.7 The situation is extremely poor for young children as Afghanistan had the second highest under-5 mortality rate in the world with around one in five children

4 United Nations, General Assembly, Security Council, A/67/354-S/20/12/703, 13 September 2012, paragraph 50.

5 See also, Islamic Republic of Afghanistan, Ministry of Finance, *Joint Evaluation of the Paris Declaration: Phase 2: Islamic Republic of Afghanistan, 2010*, Baawar Consulting Group, p. 1.

6 AusAID, *Annual Report 2010–2011*, p. 121.

7 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 78 and *Committee Hansard*, 4 December 2012, p. 51.

8 International Human Development Indicators—United Nations Development Programme, Afghanistan, 'Afghanistan Country profile', http://www.undp.org.af/undp/index.php?option=com_content&view=article&id=82&Itemid=68 (accessed 3 May 2013) and The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 2: Main Report, May 2012, p. 12. It noted the dramatic improvements in life expectancy recorded by the Afghan Public Health Institute. See USAID et al, *Afghanistan Mortality Survey 2010*, Key Findings, p. 11.

9 http://www.unicef.org/infobycountry/afghanistan_statistics.html#93 (accessed 3 May 2013) http://www.undp.org.af/undp/index.php?option=com_content&view=article&id=82&Itemid=68 (accessed 3 May 2013). See also AusAID, *Afghanistan Annual Program Performance Report 2011*, July 2012, p. 6.

dying before they reached their fifth birthday.¹⁰ Although this rate has now fallen to 1 in 10, it remains one of the highest in the world.¹¹ The country also has high rates of stunting which is primarily caused by the mother's poor nutrition during pregnancy and recurring episodes of infectious diseases during a child's early life. Thirty-six per cent of the population live below the national poverty line with 'more than half vulnerable and at serious risk of falling into poverty'.¹² Forty-five per cent of Afghanistan's population of 26.59 million experience food poverty and almost three-quarters of the population are illiterate.¹³

4.8 Despite a decade of concerted effort by the Afghan Government together with the international donor community, Afghanistan still faces an enormous task if it is to improve the overall wellbeing of its people.

Aid dependency

4.9 Foreign aid is a major and vital contributor to Afghanistan's economic growth and development.¹⁴ Afghanistan is not only one of the world's largest aid recipients; it is also one of the most aid dependent.¹⁵ Moreover, a 2012 World Bank report noted that Afghanistan's aid dependency has 'soared since 2001'.¹⁶

4.10 According to Professor Stephen Howes and Mr Jonathan Pryke, Development Policy Centre, ANU, Afghanistan now 'receives much more aid than any other country in the world with a level of aid almost double (80 per cent more than) that of the next biggest aid recipient, the Democratic Republic of Congo'.¹⁷ The Asian Development Bank (ADB) suggested that the amount of aid going to Afghanistan is 'almost unique' with only a few smaller entities, such as Liberia and the West Bank

10 AusAID, *Annual Report 2009–2010*, p. 114 and Asian Development Bank, 'Asian Development Bank, Afghanistan, Fact sheet', as at 31 December 2011. USAID, 'Afghanistan Fact Sheet'. The UNICEF Fact sheet records under-5 mortality rate at 199 per 1,000 live births.

11 See for example, USAID et al, *Afghanistan Mortality Survey 2010*, Key Findings, p. 11. For 2010, UNICEF still recorded the under-five mortality rate at 149 per 1,000, http://www.unicef.org/infobycountry/afghanistan_statistics.html

12 Asian Development Bank, 'Asian Development Bank Afghanistan, Fact sheet', as at 31 December 2011; The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 1: Overview, May 2012, p. iv; and *Submission 6*, p. [17].

13 USAID, 'Afghanistan Fact Sheet', The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 1: Overview, May 2012, p. iv.

14 See for example, Professor Stephen Howes and Mr Jonathon Pryke, *Submission 14*, p. 5 and IMF, Program note, Islamic Republic of Afghanistan, last updated: July 12, 2012, <http://www.imf.org/external/np/country/notes/afghanistan.htm> (accessed 26 October 2012).

15 *Submission 14*, p. 5.

16 See for example, The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 2, Main Report, May 2012, p. 9.

17 *Submission 14*, p. 4.

and Gaza, having on occasion received more aid per capita.¹⁸ It estimated that external support accounts for 82 per cent of total public spending—including central government and off-budget spending channelled directly to government line agencies.¹⁹ Civilian aid is estimated at more than \$6 billion a year, or nearly 40 per cent of GDP. Overall, in 2011–2012, bilateral donors committed US\$8.391 billion and multilateral donors US\$815 million.²⁰ OECD figures record that Afghanistan received US\$6.426 billion net ODA in 2010 and US\$6.711 billion in 2011.²¹

4.11 The Afghan Government recognises that reconstruction is not possible without 'the strong support' of the international community and despite developing its own national development strategy, lacks the ability to finance its development priorities with its limited resources.²²

4.12 A number of witnesses suggested that Afghanistan's reliance on foreign aid at this stage of its recovery should be seen as part of a necessary process to self-sufficiency. Mr John de Groot, Caritas Australia, viewed aid dependency in Afghanistan as 'an unsurprising reality given the level of devastation in the country at all sorts of levels and the sense of fear and disempowerment'.²³ Mr Peter Leahy, CARE Australia, also noted that dependency was to be expected for some period. He warned, however, of the need for Afghan institutions and their capacities to develop, which, according to Mr Leahy, have to be grown in part by the Afghans themselves:

We need to create spaces for that to occur, not smother it by trying to go in and do everything on their behalf.²⁴

4.13 Thus, Afghanistan's dependence on external assistance to deliver even basic services creates particular challenges for the donor community—providing much needed assistance but avoiding the trap of encouraging or supporting aid dependency.

Capacity constraints

4.14 Severe capacity constraints, including low levels of education and a chronic shortage of qualified personnel, frustrate the Afghan Government's attempts to deliver front-line services and underscore the extent of the country's dependence on external

18 Asian Development Bank, 'Asian Development Bank, Afghanistan, Fact sheet', as at 31 December 2011 and The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 1: Overview, May 2012, p. iv.

19 Asian Development Bank, *Islamic Republic of Afghanistan*, Country Assistance Program Evaluation, Independent Evaluation CE–28, 2012–13, paragraph 169.

20 Islamic Republic of Afghanistan, Central Statistics Organization, *Afghanistan Statistical Yearbook 2011–12*, Issue No. 33, July 2012, pp. 255 and 256.

21 <http://www.oecd.org/dac/stats/AFG.gif> (accessed 1 March 2013).

22 Islamic Republic of Afghanistan, Central Statistics Organization, *Afghanistan Statistical Yearbook 2011–12*, Issue No. 33, July 2012, p. 255 and Ministry of Finance, Islamic Republic of Afghanistan, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan, 2010*, p. 7.

23 *Committee Hansard*, 4 December 2012, p. 51.

24 *Committee Hansard*, 4 December 2012, p. 38.

assistance.²⁵ Severely weakened institutional infrastructure and administrative systems combine with widespread illiteracy and a diminished knowledge base to further undermine the government's capacity to function effectively and absorb development finances. Even with the large amounts of assistance, Afghanistan is struggling to restore its bureaucratic structures and to find trained and suitable staff to administer public programs.²⁶

Provincial and district level

4.15 All levels of government, national, provincial and district administrations, suffer from a want of capable and skilled personnel.²⁷ For example, the 2012 TLO Profile reported that, after ten years of state building, Afghanistan's formal justice institutions remained weak, including in Uruzgan.²⁸ Based on a small survey of government officials in Tarin Kowt, the TLO found all the sampled departments, except the Department of Public Health, reported a lack of essential staff.²⁹ AusAID also noted that illiteracy was common amongst provincial officials in Uruzgan and that their ranks were severely depleted.³⁰

Private sector and civil society

4.16 The private sector has not been spared the damaging effects of decades of conflict and instability and must also rebuild if it is to help the economy recover, generate jobs and lift living standards. AusAID's Minister Counsellor at the Australian Embassy in Kabul, Mr Paul Lehmann, observed that while there had been progress in reviving the private sector, it had been incremental and driven largely by the economic activity associated with the security infrastructure and the presence of military and development missions.³¹ Afghanistan's civil society, including its local community groups and NGOs, which also have an important role in delivering development assistance, similarly suffer from a lack of qualified personnel and weak institutional structures. Building capacity in Afghanistan's public and private sectors is vital to the effective delivery of aid but will take time.

25 See for example, AusAID, *Submission 16*, p. 8; Caritas Australia, *Submission 10*, p. 4 and ADB, *Islamic Republic of Afghanistan, Country Assistance Program Evaluation, Independent Evaluation CE-28, 2012-2013*, paragraph 144.

26 Ministry of Finance, Islamic Republic of Afghanistan, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan, 2010*, p. 7.

27 See for example, Mr Scott Dawson, *Committee Hansard*, 3 December 2012, p. 2.

28 See also TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. 101.

29 See also TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. 78.

30 *Committee Hansard*, 3 December 2012, p. 2.

31 *Committee Hansard*, 3 December 2012, pp. 12-13.

Corruption

4.17 Perceptions of corruption in Afghanistan may influence the attitudes of donor countries and counter the effectiveness of their aid.³² Transparency International's corruption perception index for 2011, which measures the perceived level of public sector corruption, rated Afghanistan as one of the world's worst performing countries placing it 180 out of 183 countries. It shared this position with Myanmar ahead of only North Korea and Somalia, which were perceived as the most corrupt.³³ Worryingly, in 2012 Afghanistan slipped to the last place of 174th with a score of 8 out of 100 and sharing this position with North Korea and Somalia.³⁴

4.18 There are sound reasons for Afghanistan's poor ranking. A report by the United Nations Office on Drugs and Crime indicated that corruption is both wide and deep throughout the whole public sector in Afghanistan including key government institutions such as law enforcement as well as local authorities and service providers.³⁵ Moreover, Afghans themselves recognise that corruption, nepotism within institutions and warlordism in some parts of Afghanistan damage the authority of institutions and impede economic development. A policy note from the Afghanistan Research and Evaluation Unit, stated bluntly that most delivery processes were 'plagued by high levels of corruption'.³⁶

4.19 While acknowledging the improving levels of skills in the local police and military, an ACFID study cited corruption in the ANA and ANP as a primary problem.³⁷ According to the study's author, Mr Phil Sparrow, provincial coverage and lack of data on how many personnel there are in the ANA or ANP undermines

32 See for example, Ministry of Finance, Islamic Republic of Afghanistan, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan, 2010*, p. 7 and the Asia Foundation, *Afghanistan in 2012, A Survey of the Afghan People*, 2012, p. 107.

33 Transparency International, *Corruption Perceptions Index 2011*.

34 Transparency International, *Corruption Perceptions Index 2012*, http://issuu.com/transparencyinternational/docs/cpi_2012_report/5 (accessed 14 February 2013).

35 United Nations Office on Drugs and Crime, *Corruption in Afghanistan: Bribery as reported by the victims*, January 2010, p. 35.

36 Afghanistan Research and Evaluation Unit, *Afghanistan Looking Ahead: Challenges for Governance and Community Welfare*, Research Briefs for the 2011 Bonn Conference, p. 4. See also The Asia Foundation, *Afghanistan in 2012, A Survey of the Afghan People*, 2012, p. 8. Another report, an Oxfam study, revealed that just less than one half of all individuals surveyed (48%) identified corruption and ineffectiveness of the Afghan government as a major cause of conflict in Afghanistan. Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 4. The research for this publication was jointly designed and/or carried out by a number of aid organisations including Afghan Civil Society Forum, Afghan Peace and Democracy ACT, Association for the Defence of Women's Rights et al.

37 Phil Sparrow, *In it for the long haul? Delivering Australian aid to Afghanistan*, ACFID Research in Development Series Report no. 1, March 2011, p. 16.

transparency and accountability. For example, he noted that the official number of police in Uruzgan was 1,319, but approximately 1,650 were paid.³⁸

4.20 The recent *Afghan People's Dialogue on Peace* found that people from all parts of the country expressed their anger consistently at the level of corruption, which they believed denied them critical infrastructure and services. It stated that people cited corruption among public officials as the main reason for the lack of progress and the poverty of many Afghans.³⁹ A 2012 survey of the Afghan people similarly found that the majority of Afghans thought that corruption was 'a major problem in all facets of life and at all levels of government'. It concluded:

Perceptions that corruption is a major problem in Afghanistan as a whole and at the provincial level are at their highest points since 2006, and perceptions that corruption is a major problem at the level of local authorities and the neighbourhood, too, have been steadily rising.⁴⁰

4.21 Afghanistan's President Hamid Karzai acknowledges that corruption is 'a menace that has undermined the effectiveness, cohesion and legitimacy' of Afghan institutions.⁴¹

4.22 As a donor country committed to working with the Afghan Government, this long-standing problem of corruption is particularly significant for Australia. Witnesses to the committee's inquiry also raised concerns about the level and type of corruption existing in Afghanistan. For example, Professor William Maley, who has published extensively on Afghanistan, noted that providing aid may have the unintended consequence of 'fuelling corruption'.⁴² He explained that this situation could arise all too easily in Afghanistan:

...where substantial aid monies flowing into a complex bureaucratic environment set the scene for the payment of bribes by contractors and sub-contractors as a means of lubricating the process of policy implementation.⁴³

38 Phil Sparrow, *In it for the long haul? Delivering Australian aid to Afghanistan*, ACFID Research in Development Series Report no. 1, March 2011, p. 16.

39 *Afghan People's Dialogue on Peace, 'Laying the Foundations for an Inclusive Peace Process'*, December 2011, p. 9. Thirteen civil society organisations/networks and the Afghan Independent Human Rights Commission oversee and sponsor the public discussions recorded in this dialogue.

40 The Asia Foundation, *Afghanistan in 2012: A survey of the Afghan People*, 2012, p. 8.

41 Statement, His Excellency Hamid Karzai, President of the Islamic Republic of Afghanistan, 'Tokyo Development Cooperation Conference on Afghanistan', Tokyo, Japan, 8 July 2012.

42 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 88. Professor Howes suggested that corruption seemed to be rampant on the investment side of things often through contractors and subcontractors where side payments are made. *Committee Hansard*, 4 December 2012, p. 15.

43 *Submission 4*, paragraph 4.2.

4.23 Recognising the prevalence of corruption in the government, Dr Nematullah Bizhan, a research scholar at the Australian National University, was particularly concerned about the inefficient use of funds channelled to projects outside the government system and their greater susceptibility to corruption. He explained:

...massive corruption has been reported through off-budget mechanisms because there is no proper reporting and monitoring in place.⁴⁴

4.24 Notably, Uruzgan is recognised as having high levels of corruption, which is particularly relevant for Australia with its considerable involvement in the province.⁴⁵ For example, the 2009 TLO report on government capacity in Uruzgan referred to widespread incompetence and corruption, weak capacity and significant lack of reach.⁴⁶ Three years later, the 2012 TLO Provincial Profile of Uruzgan reported that corruption remained endemic throughout government:

Most NGOs saw government corruption or bribes demanded from powerbrokers as one of the single largest sources of waste in the sector. One local NGO representative openly admitted to bribing government officials to ensure monitoring of their projects was actually conducted. The representative, echoing numerous other interviews, alleged that bribery is widespread in the province and that organizations often have no choice if they want to continue to operate and access full government support, or not be disrupted by local power politics. 'Corruption is like a virus', he noted, 'everyone is affected'.⁴⁷

4.25 AusAID acknowledged that 'corruption compounds the capacity constraints that already exist'.⁴⁸ Clearly, donor countries such as Australia must find ways to counter the negative effect that corruption can have on the effectiveness of their aid.

Centralised government, loyalties and alliances

4.26 The highly centralised nature of public administration in Afghanistan with weak links to remote provincial and district government institutions also impedes the effective delivery of aid. In Professor Maley's view, the highly centralised state with its presidential system presented a 'most significant problem'. He noted:

The Afghan state is diversified in the sense that there are provincial governors and then there are people known as wuleswals, who are sometimes called district governors but they are more administrators. These are not people who have come from local communities. They are centrally appointed from Kabul through what is called the Independent Directorate of

44 *Committee Hansard*, 4 December 2012, p. 23.

45 See for example, Lydia Khalil, *Submission 20*, p. [2].

46 Referred to in Phil Sparrow, *In it for the long haul? Delivering Australian aid to Afghanistan*, ACFID Research in Development Series Report no. 1, March 2011, p. 16.

47 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, pp. xii and 41.

48 *Submission 16*, p. 9.

Local Governance. They are creatures of the central state in districts, rather than legitimate local actors.⁴⁹

4.27 Professor Maley also observed that the centrally appointed officials had little interest in building organic relations with the local population and, if they did, were more likely to pursue future political agendas than ensure that development projects were implemented effectively.⁵⁰ He noted further that the requirement to refer matters to Kabul for decisions on a wide range of personnel and financial issues has had a 'profoundly stultifying effect' on administration. In his view, this level of central control was one of the reasons for a large amount of aid entering Afghanistan, estimated at 77 per cent between 2002 and 2009, bypassing the state altogether and going directly to UN agencies, NGOs or private contractors.⁵¹

4.28 According to Professor Maley, this system of administration creates real difficulty in matching the needs of the local population with what the officials may be attempting to do. He explained that this disconnect may occur because there is no requirement for officials, even at the local level, to engage or consult with those who are to be assisted through aid projects.⁵²

4.29 Mr Pallassana Vaidyanatha Sarma Krishnan, Country Director, Afghanistan, ActionAid, likewise noted that most aid programs were centred in the capital and support did not percolate down to communities on the ground.⁵³ He argued that, unless there was a strong connection between the local people and the national level, development gains could not be sustained. He stated:

This sustainment can happen only when it is rooted in the grassroots and the ownership happens at the grassroots level, not at the top level. So we surely do not advocate a top-heavy approach or a top-down approach; it has to be a bottom-up approach and development.⁵⁴

4.30 Dr Bizhan made a similar observation about the extremely centralised government in Afghanistan, noting that even for minor matters approval was required from Kabul, where most public servants were located. In his view, the government was in a dysfunctional state and the degree of central control was a major constraint

49 *Committee Hansard*, 4 December 2012, p. 6.

50 *Submission 4*, p. [2].

51 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 83. According to Professor Maley, donors bypass the Afghan state altogether and seek to deal with local communities as a way of short-circuiting the complexities that arise if one has to get approval from central ministries in Kabul before one can implement a local project. *Committee Hansard*, 4 December 2012, p. 6.

52 *Committee Hansard*, 4 December 2012, p. 6.

53 *Committee Hansard*, 4 December 2012, p. 58.

54 *Committee Hansard*, 4 December 2012, p. 58.

and challenge in Afghanistan.⁵⁵ He also observed that the President appointed the governors.⁵⁶

Security

4.31 Security remains critical to the effective delivery of aid. Since 2005–2006, however, a resurgent Taliban have continued to sabotage efforts to stabilize the country and keep it on the path to recovery.⁵⁷ In 2007, the UN Secretary-General spoke of 'an insurgency emboldened by their strategic successes, rather than disheartened by tactical failures'.⁵⁸ Indeed, the former Australian Chief of the Defence Force looked back on 2006 as the year when the Taliban gathered strength. He stated:

The Taliban were chased out of Afghanistan in very short order in 2001–02. NATO were then given the job of stabilising Afghanistan and for two or three years they conducted a stabilisation operation in various parts of Afghanistan. The Taliban were not very active. There was the odd attack but not many and then in 2006 we started to see the Taliban insurgency gain momentum. It has gained momentum each year since and what we have seen each year is a marked increase in the number of violent incidents.⁵⁹

4.32 Although ISAF has expanded its areas of operation into southern and eastern parts of Afghanistan and Member States continue to contribute personnel, equipment and other resources toward making Afghanistan a safe place, the insurgency has remained stubbornly resilient.⁶⁰ Conflict and the continuing hostilities are critical barriers to the effective delivery of aid. The broader insurgency environment is complicated by local power plays and patronage networks.

Local patronage network

4.33 The donor community must also work in a country that is divided into numerous ethnic groups including Pashtuns, Tajiks, Hazaras and Uzbeks and in communities where a web of informal power relations can exert considerable influence outside the central government. History shows that these informal power structures and deeply entrenched patronage links based on ethnic or tribal alliances or

55 *Committee Hansard*, 4 December 2012, p. 26.

56 *Committee Hansard*, 4 December 2012, p. 26.

57 See for example, United Nations and General Assembly, Security Council, A/61/799–S/2007/152, Report of the Secretary-General, 15 March 2007, paragraph 3.

58 See for example, United Nations, General Assembly, Security Council, A/61/799–S/2007/152, Report of the Secretary-General, 15 March 2007, paragraphs 2–10.

59 Air Chief Marshal Angus G Houston, Senate Foreign Affairs, Defence and Trade Legislation Committee, *Committee Hansard*, Estimates, 21 October 2009, p. 47.

60 United Nations, Security Council, S/2008/434, Special Report of the Secretary-General, 3 July 2008, paragraphs 5–6. The Security Council continued to urge Member States to contribute personnel, equipment and other resources to ISAF. United Nations, Security Council, S/RES/1833 (2008), 22 September 2008. See also, United Nations, General Assembly, Security Council, A/65/873–S/2011/381, Report of the Secretary-General, 23 June 2011 and United Nations, Security Council, S/RES/2011 (2011), 12 October 2011.

around former mujahedeen commanders have been important in shaping Afghan political, social and economic dynamics.⁶¹ Evidence strongly suggests that these networks continue to play into every facet of Afghan society and donors cannot ignore their presence or influence.

4.34 For example, the 2010 TLO report noted that the continuing tensions between pro-government strongmen, former Taliban and marginalised tribal leaders combined with tribal/community divisions over power and leadership to create a very complex political dynamic. In this environment, parties to the conflict opted to align either with the government or the insurgency.⁶² According to the more recent 2012 TLO report, it was important to appreciate that existing tribal and ethnic divisions were often stoked or exploited by local powerbrokers in order to expand their personal power.⁶³ These inter-tribal and inter-ethnic clashes, which often centred on the disputes of prominent strongmen, remained a source of instability that sometimes overlapped into the broader conflict between the government and insurgency.⁶⁴ Professor Maley pointed out that aid activities are politically sensitive because they can 'create losers as well as winners'.⁶⁵

4.35 There are numerous other domestic influences that create difficulties for the effective delivery of aid to Afghanistan including the country's dependency on opium production and discrimination against women and girls. (They are discussed in detail in Part III of the report.) Generally, the numerous domestic obstacles to the effective delivery of aid combine or feed into one another to compound the task of providing assistance. Overall, AusAID recognised that the risks of working in Afghanistan were high and that a range of factors constrained development efforts.⁶⁶ It noted:

Corruption, insecurity and low government capacity all pose serious challenges to the design, delivery and monitoring of aid activities.⁶⁷

4.36 DFAT similarly acknowledged that Afghanistan would be 'beset by security, governance and development challenges for decades to come'.⁶⁸

61 The 2012 TLO report concluded that 'The continued influence of patronage networks is an obstacle that inhibits progress in the governance sector, with many tribes and minority communities facing discrimination and exclusion'. TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. xiii.

62 TLO, *The Dutch Engagement in Uruzgan: 2006 to 2010*, August 2010, p. 49.

63 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. 6.

64 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. xiii.

65 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 84.

66 *Submission 20*, p. [2].

67 AusAID, *Australia's strategic approach to aid in Afghanistan 2010–2012*, December 2010, p. 17.

Summary

4.37 Afghanistan presents a most difficult and challenging environment in which to deliver aid. The committee has referred to the physical features of the country—the remoteness of some areas and the prevalence of natural disasters such as drought and landslides. It has noted the sheer magnitude of the development problems, the lack of infrastructure, capacity constraints within government to deliver services including at the sub-national level, corruption and insecurity.⁶⁹

4.38 Whereas Afghanistan itself presents considerable impediments to the effective delivery of development assistance, the actions of international donors may also lead to inefficiencies when providing aid. In the following section, the committee looks at the behaviours of international donors that can lead to funds being wasted, misdirected, poorly targeted, or of limited benefit and at the internationally accepted principles intended to counter such activities.

Achieving aid effectiveness

4.39 While sections of the Afghanistan population call on the international community for more aid they are also asking for 'more effective aid for humanitarian, reconstruction and development activities throughout the country'.⁷⁰ They want overseas donors not only to commit more aid but to deliver aid more effectively.⁷¹ A study sponsored by a number of NGOs found that:

Many individuals felt that though much had been promised to the Afghan people, little had actually been delivered—creating frustration and disillusionment and ultimately undermining stability. In particular individuals called for better measures to ensure that economic development and aid reach those who need it the most.⁷²

4.40 Indeed in 2009, the UN Secretary-General welcomed the surge in attention and resources that Afghanistan had received in recent months. He added, however, that the lessons to be drawn from the past seven years demonstrated that increased aid of itself would not suffice: that resources must be used 'intelligently, according to a

68 *Submission 22*, p. 1. See also Lydia Khalil who cited reports indicating that insecurity, poor governance capacity and corruption constrain development efforts across Afghanistan. *Submission 20*, p. [2].

69 See for example, United Nations, General Assembly, Security Council, A/63/751–A/2009/135, 10 March 2009, paragraphs 45–47.

70 See for example, Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 5. The research for this publication was jointly designed and/or carried out by a number of aid organisations including Afghan Civil Society Forum, Afghan Peace and Democracy, Association for the Defence of Women's Rights et al.

71 Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 28.

72 Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 28.

coordinated and comprehensive plan' with the aim of enabling all Afghans to bear responsibility for their future.⁷³

4.41 In this regard, the international community has long been interested in increasing the effectiveness of aid delivered to Afghanistan. Since 2002, numerous international conferences have endeavoured to identify ways for the improved delivery of aid and for the international community to commit to adopting these practices. Although not part of this series of conferences, the Paris Declaration in 2005 stands out as a major landmark for international development assistance, which influenced the thinking at the subsequent meetings on Afghanistan. As noted in the previous chapter, the 2005 Paris Declaration enunciates five fundamental principles underpinning aid effectiveness to which donor countries are expected to adhere—ownership by partner country; alignment and harmonisation of aid; managing aid for results; and mutual accountability.⁷⁴

4.42 Consistent with these principles, the numerous international conferences on Afghanistan have from the beginning placed a heavy emphasis on Afghanistan's ownership of aid projects, aligning projects with the government's priorities as set down in the ANDS, avoiding parallel structures, better coordination between donors and improved transparency and accountability.⁷⁵ The committee now looks in greater depth at the extent to which these principles apply in Afghanistan.

Ownership

4.43 The importance of donors channelling a substantial proportion of aid through Afghanistan's national budget was a constant refrain coming out of the international conferences. By using its systems, the Afghan government would have ownership over development assistance—a key principle of aid effectiveness.

4.44 Evidence indicated, however, that one of the main causes of the ineffectiveness of aid to Afghanistan stemmed from funding that operated outside the national government system.⁷⁶ A Ministry of Finance joint evaluation found that many donors, without properly consulting with the Afghan Government, continued to invest in programs designed and implemented directly by the donor country and delivered by their contracted agencies. According to the evaluation, because the government has no control over the financing or accountability of these donor-driven programs, Afghan ownership of such programs, comprising close to 80 per cent of Afghanistan's development budget, is yet to be established.⁷⁷

73 United Nations, General Assembly, Security Council, Report of the Secretary-General, A/63/751–A/2009/135, 10 March 2009, paragraph 6.

74 *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action*, 2005 and 2008 respectively.

75 See observations made on the Paris 2008 Compact, the 2010 London and Kabul conferences, paragraphs 3.11–3.17.

76 See for example, Dr Nematullah Bizhan, *Committee Hansard*, 4 December 2012, p. 23.

77 Ministry of Finance, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan*, 2012, p. 16.

4.45 Witnesses also drew attention to the high proportion of international assistance to Afghanistan channelled through off-budget mechanisms, which bypassed the state mechanisms. Dr Bizhan indicated that some donors were directly funding projects without proper consultation with the government or local communities. Within that context, he identified a couple of challenges that emerge, including the sustainability of those projects. He noted clinics and schools that were built, but with no teachers or nurses or doctors to sustain their use and local demands on the government to provide funds to maintain the facilities but without the resources to do so.⁷⁸

Community ownership

4.46 Community involvement in decision-making and the implementation of development projects is also an important component of ownership, critical to aid effectiveness. Mr Rahatullah Naeem, Afghan Development Association, noted that by using local partners, donors can develop the community's capacity and implement programs efficiently and effectively as compared to other approaches. He observed that by engaging local people, the communities feel ownership in the development activities and, therefore, 'provide full security and protection to the staff and programs'.⁷⁹

4.47 Mr James McMurchy also referred to well-intentioned aid that, because of lack of consultation with the local community, has led to inappropriately designed or located projects or even development assistance that has caused local family or tribal disputes over land and water rights.⁸⁰ Mr Krishnan, ActionAid, noted that the current development priorities for Afghanistan by the donors miss one very vital component: 'the community empowerment link'.⁸¹ He argued:

There needs to be community involvement, community ownership and community participation, otherwise development remains as structures only.⁸²

4.48 He suggested that this lack of community engagement in Afghanistan was why schools were built but with no children in them; hospitals opened but nobody uses them; and roads constructed but no one is able to travel between provinces. In his view, 'It is simply because the community is not yet accepting of or involved in this progress that that is happening in the country'.⁸³ He informed the committee the donors need to reach out to more communities and 'to ensure that people, civil society

78 *Committee Hansard*, 4 December 2012, p. 23.

79 *Submission 5*, p. 1.

80 *Submission 18*, p. [2].

81 *Committee Hansard*, 4 December 2012, p. 56.

82 *Committee Hansard*, 4 December 2012, p. 56.

83 *Committee Hansard*, 4 December 2012, p. 56.

and other stakeholders are each equally informed and involved in the development work in Afghanistan'.⁸⁴

Alignment and matching priorities

4.49 The Paris Declaration recognised the importance of aligning aid with the priorities of the recipient country. A number of witnesses were concerned that aid projects did not support the priorities of Afghanistan and local communities. A number of reports indicated that the stated goals and objectives of various aid agencies, donor governments and the Afghan Government do not align. For example, the Office of the United Nations Population Fund in Afghanistan reported on the 'need for better alignment of efforts and resources of all government and non-government, Afghan and international partners'. It noted that 'a unified vision dictates combined efforts, resulting in peace and development in the country.'⁸⁵ An Oxfam study referred to this mismatch between the work of donors and Afghanistan's needs. It stated:

The emphasis of many donors' strategies on quick impact projects and the use of expensive consultants must be reevaluated and redirected to meet Afghan needs, particularly the creation of income generation opportunities, and address the underlying causes of poverty.⁸⁶

4.50 According to one witness, the misalignment of a donor's stated objectives with those of the Afghan government was 'certainly the case with Australian assistance'.⁸⁷

Coordination

4.51 Many donors contribute to development in Afghanistan. The Paris Declaration highlights the importance of harmonisation and ensuring that aid projects complement each other. With regard to Afghanistan, an Oxfam study noted that:

The lack of coordination and overall effectiveness of aid is a complex problem, but one that must be urgently addressed as it has undermined reconstruction efforts and created mistrust among many Afghans.⁸⁸

4.52 Dr Bizhan also cited the problem of coordination, notably with funding that does not go through the Afghan Government.⁸⁹

Managing for results

4.53 While acknowledging improvements in Afghanistan, an Oxfam study found that not only had the volume of aid to Afghanistan been insufficient but much of it had

84 *Committee Hansard*, 4 December 2012, p. 56.

85 UNFPA Afghanistan, *Annual Report 2010–2011*, p. 5.

86 See for example, Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 29.

87 Ms Lydia Khalil, *Submission 20*, p. [2].

88 See for example, Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 28.

89 *Committee Hansard*, 4 December 2012, p. 23.

been delivered in ineffective or wasteful ways. It stated that 'nearly 40% of all aid since 2001 has returned to donor countries in the form of profits or remuneration', with a large share of aid failing to reach the poorest in Afghanistan.⁹⁰

4.54 Afghans were also of the view that aid does not always reach its intended beneficiaries. A majority of participants in the 2011 *Afghan People's Dialogue on Peace* reported that despite some clear improvements, achievements had 'not been equal to the billions of dollars in donor aid that has been spent in the last ten years'. The Dialogue found:

Men and women all over the country stressed that progress should not be measured in terms of the quantity of services, such as the number of schools and hospitals built, but should also be based on the quality of these critical services, which many people said was far from satisfactory.⁹¹

4.55 The 2012 TLO Report on Uruzgan noted that regardless of the underlying reasons, community members and NGO representatives continuously cited 'waste, dependency, tribal rivalries, and the lack of management oversight as chronic issues hampering infrastructure development'.⁹² It noted local frustration and disappointment with assistance due to:

- high salaries of foreign contractors and development personnel, especially when project implementation is substandard;
- preference for large development contractors which translated into ever-increasing number of sub-contractors, with funds disappearing into each new sub-contract;
- staff recruited from other areas—a long-standing grievance, though NGOs indicated that they try to hire locally but there are simply not enough Uruzganis available with the required skill sets; and
- failure to match facility construction with adequate management capacity and to consider sustainability including sequencing (for example, the sewage treatment plant built on the outskirts of Tarin Kowt, which although described as 'beautifully constructed' was not operational because of the lack of adequately trained local staff to manage the facility).⁹³

90 Ashley Jackson, *The Cost of War, Afghan Experiences of Conflict, 1978–2009*, Oxfam, 2009, p. 14.

91 *Afghan People's Dialogue on Peace, 'Laying the Foundations for an Inclusive Peace Process'*, December 2011, p. 8.

92 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. 40.

93 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, pp. 40–42.

4.56 The report also cited respondents concerns about waste or inefficiencies due to the need to provide security to guard against insurgent attacks, looting of construction sites and, as mentioned before, corruption.⁹⁴

4.57 Witnesses supported this view of failing to manage for results. Professor Maley cited reports from many parts of Afghanistan of unsettling complaints that aid monies were being 'wastefully pumped' into conflict zones, leaving residents of the more stable areas of Afghanistan frustrated onlookers.⁹⁵ He also referred to the leakage of funds due to a reliance on contractors, which he regarded as one of the most serious problems, and drew attention to the way in which funds:

...nominally hypothecated for the benefit of Afghans have ended up going to consultants who have not necessarily added an enormous amount of value but have charged significant prices for what it is that they have done for Afghanistan.⁹⁶

4.58 The suggestion is that 'money ends up in bank accounts in Washington DC, in Paris, in Berlin and or in London, in places like that, rather than in Afghanistan itself'.⁹⁷ An independent journalist who visited Afghanistan in 2012, Mr Antony Loewenstein, was similarly concerned about the over reliance on foreign workers at the expense of local interests and the leakage of funds whereby contracts were awarded to NGOs. He argued that:

...often the vast bulk of that money does not go to the local people. It is going to foreign contractors who are taking the money out of the country. In other words, local groups are not being empowered.⁹⁸

4.59 Consistent with this perception, Dr Bizhan observed that much of the international spending had been spent outside the country or has left the country through imports, expatriated profits and outward remittances.⁹⁹ He referred to a report prepared jointly by a concerned group of donors, international and local organisations in Afghanistan. It found that money directed off budget was going to persons who were leaving the country, toward ex-patriots' salaries and for conditions attached to foreign aid. Dr Bizhan cited the reported observations of a former finance minister, Dr Ashraf Ghani, who indicated that 'for \$1 of foreign aid which donors spend in Afghanistan, only 10 per cent goes to real beneficiaries'. He explained:

The big international companies get a contract and then they subcontract that—and there is a huge amount of subcontracting—so in each transaction

94 TLO, *Uruzgan: 18 months after the Dutch/Australian Leadership Handover*, A TLO Provincial Profile, April 2012, p. 41.

95 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 77.

96 *Committee Hansard*, 4 December 2012, p. 7.

97 *Committee Hansard*, 4 December 2012, p. 7.

98 *Committee Hansard*, 4 December 2012, p. 30.

99 *Submission 13*, p. 7.

they deduct a certain amount of money for overhead costs. So finally, the real amount of money decreases so that a very small amount of it goes to real beneficiaries.¹⁰⁰

4.60 Generally, the factors working against effective aid are linked and combine to make the task even more difficult. A recent World Bank report noted that although the large aid flows had benefitted Afghanistan, it had also brought problems tied to corruption, fragmented and parallel delivery systems, poor aid effectiveness, and weakened governance.¹⁰¹ Based on her research, Ms Lydia Khalil noted that while the ravages of decades of war had left a legacy difficult to overcome, the mismanagement of development assistance, the misalignment of priorities, waste and corruption were serious and endemic problems.¹⁰² Referring to an International Crisis Group report, she noted:

Poor planning and oversight have affected projects' effectiveness and sustainability, with local authorities lacking the means to keep projects running, layers of subcontractors reducing the amounts that reach the ground and aid delivery further undermined by corruption in Kabul and bribes paid to insurgent groups to ensure security for development projects.¹⁰³

4.61 Professor Howes and Mr Pryke noted that the slow pace of reconstruction, poor project design, perceptions of corruption, and lack of local ownership undermined positive perceptions of aid. For example, they cited Uruzgan, as a province producing ample evidence of the destabilising effects of aid projects. According to their research, aid was perceived 'to be poorly distributed, highly corrupt and benefitting mainly the dominant powerholders'.¹⁰⁴

4.62 Donors also cited factors such as staff turnaround that interferes with the effective delivery of aid. For example, the USAID Mission to Afghanistan has experienced high staff turnover coupled with multi rest and recuperation breaks which limited the development of expertise, contributed to a lack of continuity and overall hindered program oversight.¹⁰⁵

100 *Committee Hansard*, 4 December 2012, p. 23.

101 The World Bank, *Afghanistan in Transition: Looking Beyond 2014*, vol. 1: Overview, May 2012, p. 1.

102 *Submission 20*, p. [1].

103 *Submission 20*, p. [2]. For quote see International Crisis Group, *Aid and Conflict in Afghanistan*, Asia Report no. 210, 4 August 2011, p. i, [http://www.crisisgroup.org/~media/Files/asia/south-asia/afghanistan/210-%20Aid%20and%20Conflict%20in%20Afghanistan.pdf](http://www.crisisgroup.org/~/media/Files/asia/south-asia/afghanistan/210-%20Aid%20and%20Conflict%20in%20Afghanistan.pdf).

104 *Submission 14*, pp. 17–18.

105 United States Government Accountability Office, Testimony before the Subcommittee on Oversight and Investigations, Committee on Foreign Affairs, House of Representatives, *Afghanistan USAID Oversight of Assistance Funds and Programs*, p. 8.

Conclusion

4.63 The challenges confronting Afghanistan are formidable and the constraints on delivering aid—insecurity, political instability, perceptions of corruption, capacity weaknesses—make the task of ensuring that aid is effective far more difficult. As part of the donor community, Australia must contend with the range of domestic circumstances in Afghanistan that have the potential to undermine the effectiveness of its aid to that country.

4.64 The committee also drew attention to a number of major criticisms levelled at the international donor community that undermines the effectiveness of aid. They include poor coordination between donors and funding that operates outside the national system, which does not promote Afghan ownership or align priorities with those of the Afghan Government or local communities. There were also concerns that aid could be wasted due to factors such as the use of contractors and sub-contractors; the leakage of funds through imports, expatriated profits and outward remittances or projects simply not taking account of the running costs of sustaining a project. In this regard, it is important for Australia to consider its own policies on development assistance to Afghanistan and their implementation to ensure that maximum benefit is achieved.

4.65 In the following part of this report, the committee examines Australia's performance when it comes to the effectiveness of its aid.

