**17 September 2012**

The Committee Secretary

Senate Foreign Affairs, Defence and Trade Reference Committee
PO Box 6100
Canberra ACT 600

**Inquiry into Australia's oversees development programs in Afghanistan**

Dear Dr Dermody,

I here attach a brief submission to the inquiry into Australia's oversees development programs in Afghanistan. I would be happy to testify before the committee if the members considered that might be useful,

Sincerely,

Nematullah Bizhan

Research Scholar
The Australian National University (ANU)

**Submission to the Senate Standing Committee on Defence, Foreign Affairs and Trade on Australia's oversees development program in Afghanistan**

Nematullah Bizhan

Research Scholar, the Australian National University (ANU), Centre for Arab and Islamic Studies (the Middle East and Central Asia),

17 September 2012

I make this submission to the Senate Standing Committee on Defence, Foreign Affairs and Trade on Australia's oversees development program in Afghanistan. The main motivation that I have in preparing this submission is my current academic interest and my earlier experience of international development in Afghanistan. Currently I am in the fourth year of doctoral research studying the impact of international assistance on the course of state building in Afghanistan between 2001 and 2009. In addition, I participated in Afghanistan's post-2001 development efforts as a practitioner and a policy maker through the Afghan government, UNDP and civil society. I served as Director General for Policy, Monitoring and Evaluation of the Afghanistan National Development Strategy (ANDS), Head of the Joint Coordination and Monitoring Board (JCMB) Secretariat, Deputy Minister for Youth, as well as leading the "National Development Budget" at the Ministry of Finance.

In this submission I briefly analyze how Australia has contributed to stability and development in Afghanistan since 2001 and some of the challenges with Australian assistance. The rest of this analysis addresses some of the questions raised under the terms of reference and some other interrelated security and development issues in the context of transition in Afghanistan.

Overall this submission making a small number of essential recommendations about Australia's assistance program to Afghanistan:

- The goal of the Australian overseas development program to Afghanistan should focus on a small number of sectors and some attainable objectives. This should result in shrinking the distribution of aid to a limited number of sectors and increasing the focus on a state building agenda.

- An increase in Australia's development assistance to Afghanistan and a prolonged financial commitment are imperative for two reasons:
    - To mitigate the negative multiplier impact of rapid decline in international military expenditures beyond 2014 on the economy, and

    - To prevent the disintegration of Afghan state institutions,

- The effectiveness of the Australian taxpayers' contribution to development and stabilization of Afghanistan will greatly depend on aid delivery channels, together with the focus and orientation of aid. These should be modified according to the needs of the transition decade to bolster ownership and local capacity building. Hence, it will be important that Australian assistance use Afghan government systems and channels such as on-budget mechanisms by using the Trust Funds and the government budget.

- While the availability of assistance is vital for the course of state building and poverty reduction in Afghanistan, it is equally important that Australian assistance be invested in priority areas and be effectively used. Furthermore, it is essential that the Australian government attach some firm conditions to its assistance to the Afghan government for bolstering reforms and join other major donors to Afghanistan to put diplomatic pressure on Pakistan to cease its financial and logistic support for the Taliban and the Haqani Network.

    - Some such conditions could be the holding of a credible Presidential election in 2014, transparency in public expenditure, inclusion of women in political and economic activities, and promotion of meritocracy in public administration.
    - The United Nations (UN) broadly, and the UN Security Council in particular, are important platforms to put diplomatic pressure on Pakistan.

**The "Transition Decade" and the need for a shift in objective and delivery of Australian assistance to Afghanistan**

With the withdrawal of the Soviet Union's troops from Afghanistan and then the collapse of the Soviet Union, the Afghan communist regime lost its main source of income and logistical support from the Soviet, leading to its fall in 1992. With the rise of Mujahideen groups in power, the US and Western countries achieved their immediate goal of defeating the Soviet Union via Afghanistan, and they lost interest in helping to rebuild this war-affected country. Soon civil war erupted, and Afghanistan became a failed state. While Afghanistan's state institutions disintegrated and its economy was gravely damaged, the country was exposed to the influence of Pakistan's Intelligence Service (ISI) and other regional fundamentalist militant networks such Al Qaeda. The international community perceived Afghanistan's problems as irrelevant to their own security interests; however, this soon proved false. The Taliban (1996-2001) hosted Al Qaeda and Afghanistan became a serious threat to global security, until the horrific events of 9/11 in 2001 which resulted in the military intervention of the United States in Afghanistan. This stands as a warning of how costly the failure of Afghanistan's current stabilization and development project could be in the future.

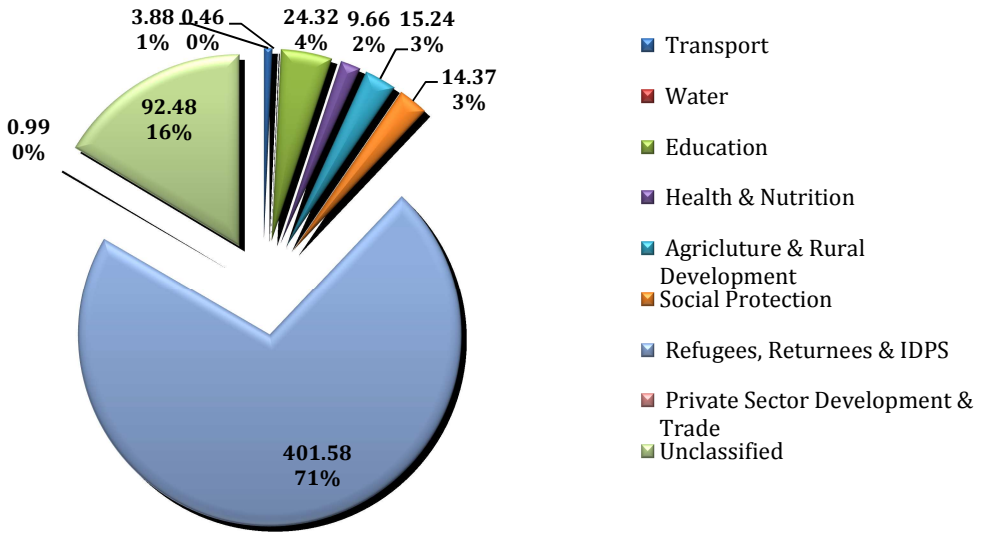
Since then, the international community in general and Australia in particular participated in efforts "to stabilise Afghanistan and prevent the country from again becoming a safe haven for terrorists" (AusAid, 2012:1). This has included a combination of military action, development and diplomacy measures. Some significant

improvements have been made in the area of governance, security and development. However, these gains remain fragile and unsustainable. Unless the transition decade is well managed by the Afghan government, the national and international actors adopt appropriate strategies, and the international community provides a sizable package of international assistance to make up for its military withdrawal, the future of the country seems gloomy.

## The major achievements and challenges of the Australian assistance to date

Australia, as one of the top ten bilateral donors to Afghanistan, has made important contributions to the education, health, and agriculture sectors, as well as in the area of good governance since 2001. It has largely used the country systems, and therefore around 46 per cent of the Australian aid in 2010 was channeled through the Afghan national budget and the jointly-managed Trust Fund (Afghanistan Reconstruction Trust Fund, ARTF). The geographical focus of Australia, however, has remained Uruzgan, where its troops are present, and it has used "quick impact" approaches for allocation of its assistance. In addition, Australia's assistance is scattered across more than eight sectors of the Afghanistan National Development Strategy (ANDS), indicating its wide focus, hampering its effectiveness (See figure 1).

Figure 1: Australia's Assistance for Afghanistan (sector allocation), 2001-2012




*Source: Islamic Republic of Afghanistan, Ministry of Finance, Donor Profile: Australia, 2012*

## The "transition" and the need for a shift in management and objectives of the Australian assistance to Afghanistan

Considering the contextual environment of Afghanistan and lessons learned since 2001, three issues are fundamental for Australia's overseas development program in

Afghanistan for the transition decade. These are size, duration, and delivery channels of Australian assistance to Afghanistan. In order to mitigate the negative multiplier economic and security impact of the Australian troops and military expenditure withdrawal in Uruzgan and at national wide in Afghanistan, an increase in Australia's development assistance and a long-term financial commitment is essential. Additionally, in order to maximize the effectiveness of Australia's assistance to Afghanistan, the Afghan country systems should be further utilized and firm conditions should be attached to the assistance.

The externally-supported insurgency in Afghanistan and the nature of Australia's engagement in the post-2001 Afghanistan transition to stability (making the largest contribution to the Afghan mission of any nation outside the NATO alliance, with 1,550 troops on the ground), positions Afghanistan as a unique recipient of assistance from Australia. Hence, it is imperative that Australia, along with other NATO allies, apply diplomatic pressure on Pakistan to cease its support for the insurgents and terrorist groups such as the Taliban and Haqqani network respectively. They continuously attack civilians and the Afghan and international security forces inside Afghanistan. They are among the major impeding forces for stabilization and development efforts in Afghanistan.

The success of the transition decade will largely depend on the availability of financial resources for Afghanistan and the durability and legitimacy of the Afghan state, which in turn depends upon the extent to which it can provide security and other basic services to its citizens. In this context, it is necessary that the Australian assistance program sharpen its focus on the state-building agenda and adopt those approaches and methods that can reinforce this goal, instead of undermining it.

Addressing specific Terms of Reference:

**Security issues in the context of transition**

The quantity and quality of the Afghan National Security Forces (ANSF) training has effects on their legitimacy through their interaction with local communities and by delivering desirable outcomes. Additionally, a well-trained ANSF would affect the political confidence of the Afghan citizens in general and the Afghan government in particular. However, if the training is provided in a fragmented manner by different international actors in Afghanistan, this can hamper the effectiveness of the process. A desired process would be to train the local "Trainers of the Trainers" who in turn can train the ANSF.

Though the ANSF has made important progress since 2001 in the area of human rights trainings, the investment in this area has been minimal. In order to change the concept of security from coercion, which has been traditionally applied in Afghanistan, to cooperation among the security institutions and the public, it is important to bring this issue to the forefront of the security institution building strategy of Afghanistan. Establishment of accountability mechanisms and clear guidelines on human rights are as important as ANSF military training. While, the ANSF have kept a good relationship with the communities, especially the Army, local militias established in rural area to

fight the Taliban have often been accused of criminal activities and human right abuses. Australia can assist the Afghan government in establishing simple accountability mechanisms, and finance Afghanistan's human right commission and some other civil society organizations to promote human rights in the context of security.

The ANSF are fully dependent on foreign aid. Afghan domestic revenue is not sufficient to cover their salaries or other necessary logistic support. After the withdrawal of the international forces, the number of ANSF will notionally increase to 352,000 (195,000 of National Afghan Army and 157,000 of the Afghan National police). According to the the World Bank assessment, Afghan domestic revenue will not be able to fully finance the ANSF until 2022 (Word Bank, May 2012). This shows that lack of finances for the ANSF will be one of the most challenging problems for stability in Afghanistan. It important for NATO countries to sustain financing of the ANSF until Afghan domestic revenue is capable of doing so.

In order to strengthen the Afghan security sector, Australia can play an important role through three mechanisms. First, it should shift its focus from a single province (Uruzgan) to the national level. Second, it should modify the training strategy for the ANSF, from broad training and mentoring to training of Afghan "Trainers of Trainers" in a specific area such as civilian protection. This will decrease the risk of "blue and green attacks" and can make assessment of progress easier. Third, it should put diplomatic pressure on Pakistan, through the UN Security Council and other diplomatic channels, to cease its support for the Taliban and the Haqqani network. Unless their logistic chain is severed, they will continue to attack on civilians and Afghan and international security forces in Afghanistan. It is likely that they will increase their activities after the withdrawal of the international security forces from Afghanistan to shape the situation as they desire. If the Taliban lose generous support of the Pakistan Intelligence (ISI), the likelihood for them to participate in a political settlement will increase as their attacks in Afghanistan decline.

The ANSF have achieved modest success in their operations in Afghanistan; however, until they assume the full responsibility for security inside Afghanistan it is difficult to assess what their full capacity is likely to be. Political fragmentation and lack of consensus, after 2014` may prove very challenging for the ANSF, which are combined of different ethnicities. Therefore, the holding of a credible presidential election in 2014 is vital to Afghanistan. Both national and international actors need to be alert to the possibility of fragmentation within the security forces and they should take sensitive measure to reduce this risk.

The provincial approach of NATO and other allies to building security institutions resulted in fragmented efforts to build other local institutions. In some provinces, instead of building functioning local institutions, resources have been channeled to individual players who were protecting NATO conveys and their logistic roots. For example, in Uruzgan, Matiullah Khan, while keeping his own militia, has become a source of distrust among the local tribes and has undermined the credibility of the government. Though he helped to consolidate stability in the short-term, in the long run this approach compromised institution-building.

## Development issues in the context of transition

Despite a decade of participation of the international community in the rebuilding of Afghanistan, and the important gains made, this country is still one of the poorest and least-developed countries in the world. The decline in international expenditure inside the country and the alarm of local and international investors at the growing insecurity in Afghanistan are some major concerns for the future. However, much of the international spending has been spent outside the country or has left the country through imports, expatriated profits, and outward remittances. This lessens the impact of the military draw-down. However, the confidence of investors is already eroded in Afghanistan, and they are trying to shift their money outside the economy. Where possible, Australia may be able to reduce the negative economic impact of its military withdrawal by increasing the size and duration of its development assistance, and making investment of Australian private sector in Afghanistan possible. For example, granting of tax concessions in Australia for companies that invest in Afghanistan can encourage them to invest in Afghanistan. These approaches will help to bring some certainty about the resources for financing of the transition decade priorities.

Australia is largely using the Afghan country systems, but there is scope for improvement. The total on-budget assistance of Australia should increase to 50 per cent from 46 per cent of its total annual assistance. Additionally, in order to foster alignment and ownership, around 80 per cent of the off-budget assistance should be aligned to Afghan national priorities and programs. The off-budget projects should fully involve government ministries and departments and other national counterparts. The on-budget mechanisms foster institution-building and can ease monitoring and coordination of international development. However, the main concern in this case would be corruption and lack of capacity in the Afghan government to spend the assistance effectively. Once the level of assistance is increased through on-budget funding, this will also help to build the capacity of the Afghan government and to put more pressure on it to tackle corruption. Identification of some firm measures is imperative to link them with the flow of on-budget assistance to monitor the compliance of the Afghan government with them. It is also important that information about the assistance be provided to the Afghan government on a regular basis which can improve mutual accountability between the Afghan government and the Australian Agency for International Development (AusAID).

As noted earlier currently Australian assistance to Afghanistan is scattered across more than eight sectors, making coordinating and monitoring difficult. It would be useful to shrink it to a limited number of sectors (3-4) and invest it on more long-term projects. Australia has a comparative advantage and expertise, in comparison to other donors to Afghanistan, in the areas of education, agriculture, infrastructure (mining) and Public Financial Management system, especially tax system. These areas can yield high return in terms of poverty reduction, economic stability, and investment creation and tax revenue. For example, Australian scholarships are very useful to the young professionals who can make lasting contributions in Afghanistan in the area of policy formulation and change management. Its unique expertise in dry agriculture can provide Afghanistan with a sound technical assistance. In the area of mining Australia

not only can provide technical assistance to Afghanistan, but can also encourage the Australian private sector to invest in that country.

Additionally, it is important to attach measurable conditions to the assistance in order to create some positive incentives for the transition decade and foster accountability. Some conditions can be a holding of 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. Australia can achieve these goals in collaboration with other international community members who are assisting Afghanistan. Already some useful platforms have been established inside the country for coordination, including JCMB and its sub-committees, and clusters/intern-ministerial committees.

In sum, I argue that in order to make sure that the transition decade would be a success a combination of measures need to be employed by the international community, including Australia. Australia can contribute in the transition decade by increasing the size of its assistance to Afghanistan and prolonging its financial commitment. In addition, the assistance should be channeled through the Afghan government system and the off-budget assistance should be further aligned with the Afghan national priorities. Measurable conditions shall be attached to the assistance to the Afghan government. Also diplomatic pressure on Pakistan to cease its support to the Taliban and Haqqani network is necessary. However, if Afghanistan is left alone, the human and economic cost in Afghanistan and beyond as a result of failure of stabilization project, whether in the form of a civil war or return of the Taliban into power, would be incalculable.

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