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Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600 Australia

October 5 2012

To the Members of the Senate Committee on Foreign Affairs, Defence, and Trade:

Thank you for the opportunity to comment on an important and pressing matter relating to Australia's national security interests. Examining the objective and management of Australia's overseas development programs in Afghanistan is a critical issue. Particularly as Australia's military draws down and the transitioning of security responsibilities to Afghan security forces commences.

I hope this analysis will offer the committee a useful perspective.

I would like to note that this written submission reflects my personal views and not the Australian Strategic Policy Institute, which does not take an institutional position on policy matters.

Sincerely,

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Parliamentary Submission-

"The administration, management and objective of Australia's overseas development programs in Afghanistan in the context of the 'Transition Decade'"

Lydia Khalil, Australian Strategic Policy Institute (ASPI)

Afghanistan is one of the largest recipients of Australia's foreign aid funding.[i] According to their most recent public reports, the Office of Development Assistance (AusAID) estimates a total of $145.7 million allocated to country program development and aid efforts in Afghanistan for 2012-2013.[ii] Australian defence spending in Afghanistan, which supports the training of Afghan national security forces, is also quite significant. Australia is the largest non NATO contributor and the 10th largest contributor overall.[iii] Australian development assistance to Afghanistan is of course only one part of a large international pool of development assistance that has been pouring into Afghanistan for the past ten years after decades of neglect. The totality of international aid to Afghanistan is hard to accurately measure, but according to a 2011 International Crisis Group report, it is around $57 billion against a pledged $90 billion dollars.[iv]

The Australian aid program has contributed to some positive development gains, such as increased school enrollments and an increase in the access to health services. But despite these positive development results, Afghanistan consistently ranks at the very bottom of development indicators. Despite the considerable amount of aid funneled to Afghanistan from Australia and numerous other international donors over the past decade, the country consistently rates as one of the world's poorest countries, with low life expectancy, low literacy, high insecurity, and limited economic prospects.

Uruzgan province, where Australia is most active, is one of the least developed, with 0% literacy rates for women and only 10% for men. Only 30% of public services positions are filled, and the reach of the national government is scant. Corruption is high and economic prospects are low, while Uruzgan remains a hotbed of insurgent activity. So long as this remains the case in Uruzgan province, the impact of Australian assistance will be limited and short lived.[v]

The unfortunate reality is that the vast amounts of aid funding since 2001 has not stemmed a Taliban led insurgency that has contributed to chronic levels of insecurity, nor has it effectively contributed to Afghan governance capacity to deliver services to its citizens. This is despite the fact that roughly half of international assistance is directed towards the building of Afghan security services.

Part of this reflects the reality of the ravages of three decades of war. But not an insignificant part is due to the fact that development assistance is mismanaged, does not relate projects to Afghan and ISAF priorities of increasing security and Afghan governance capacity, and that waste and corruption is a serious and endemic problem.

Due to the lack of government capacity, donors have largely bypassed Afghan government institutions and reduced its capacity further by reducing the accountability of aid distribution and projects by the government. What aid that is disbursed through the Afghan government is tightly controlled through Kabul, thus not devolving ownership to provincial authorities where projects are carried out.

There are also severe limitations due to the ongoing insurgency and high levels of violence in the country, especially in the Southern provinces, including Uruzgan. Afghan governance capacity and government reach outside of Kabul is very low. AusAID's own reporting clearly states that the gains in health and education achieved through Australian aid programs remain fragile so long as the security and governance situation remain as is.

According to the same International Crisis Group report on aid and Afghanistan, "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."[vi]

Both the Kabul and Tokyo conferences have sought to address these problems, pledging to channel more funds through Afghan institutions. But until the Afghan government corrects its inefficiencies and corruption and builds its capacity to deliver services, merely channeling aid through Afghan institutions will not improve the delivery and effectiveness of aid.

However, instead of coming up with coherent long term planning to increase Afghan governance capacity and thus security, the answer so far to the persistent low levels of development, lack of government capacity and security, the Australian, indeed the international, donor's answer, has been to increase aid pledges even more.

On May 20, 2012, Prime Minister Gillard and Foreign Minister Carr announced that Australia would increase its aid commitment to $250 million.[vii] The aim of this increased aid is ostensibly to support Afghanistan in the post troop withdrawal transition period and to safeguard the development gains already made. But increased funding without the necessary prerequisites of better security, greater governance capacity and stemming rampant corruption, the increased funds will not achieve their desired result of stability and development in Afghanistan.

A number of international donors, not just Australia, are ratcheting up aid pledges in anticipation of the drawn down. At the latest international donor conference in Tokyo, donors pledged an additional $16 billion in aid to Afghanistan over the next four years. However, this amount is merely a pledge and not a guarantee. The additional funds are also conditional upon a sharp reduction of corruption by the Afghan government.[viii]

But aid pledges and development assistance are not necessarily being directed at efforts that will stem corruption and increase governance capacity. According to a recent report by the Center for Strategic International Studies (CSIS) Anthony Cordesman writes that despite the conditionality of reducing corruption during the Tokyo Conference, "It is important to note that these pledges were never linked to a specific plan and spending schedule."

Increasing funding without changes to the way in which that funding is being distributed and under what conditions will not assist development efforts in Afghanistan. Until this happens, the effectiveness of development assistance will continue to be subpar and increases in aid funding will not help achieve long term stability in Afghanistan.

Australian aid to Afghanistan has not been as effective as it could be not because the funding amount is insufficient, but because the foundations to support development projects are not there. AusAID reporting acknowledges this fact. According to the latest reports, "Across Afghanistan development efforts are constrained by insecurity, poor governance capacity and corruption."

As a case in point, much of Australia's aid to Afghanistan is directed to national level programs, but approximately $30million is spent directly in Uruzgan province where Australia maintains a sizeable troop presence. But according AusAID's official country report, Uruzgan remains one of the most undeveloped provinces because of "insecurity, low levels of capacity and high levels of corruption that continue to impede development efforts in Uruzgan."[ix]

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Another part of the problem is that the stated goals and priorities of various aid agencies, donor governments and the Afghan government do not align. This is the certainly the case with Australian assistance.

AusAID's overall 2012-2013 budget articulates five core strategic goals for all of Australia's aid efforts. They are – 1) saving lives by focusing on health, water and sanitation, 2) increasing opportunities for all by focusing on education and gender equality 3) promoting sustainable economic growth by focusing on food security, infrastructure and climate change adaptation, 4)

supporting security, governance and civil society and 5) responding to humanitarian crisis through disaster preparedness.[x]

AusAID's funding in Afghanistan clearly reflects these goals, with most of the aid money, 28 percent, focused on 'promoting opportunities for all', which involves education and health projects. While certainly worthwhile, we have seen that they are not sustainable without better Afghan security and governance capacity, particularly in light of international troop withdrawals.

This points to a fundamental problem with the way in which Australian aid is distributed in Afghanistan. AusAID's strategic goals do not match the strategic goals and priorities of the current political and security realties in Afghanistan.

Developing governance capacity to increase the Afghan government's legitimacy and enhance security is the clear and pressing need in Afghanistan, yet supporting security and governance is fourth on AusAID's list of strategic priorities. Of the published projects relating to AusAID's new initiative "Continuing Australia's aid program to Afghanistan" the only one directly related to increasing security is work by the Australian Federal Police to strengthen the Afghan National Police capacity. All the others relate to education, agricultural productivity and support for displaced persons. [xi] Though in theory increases in education, agricultural productivity and enhancing economic opportunity will contribute to long term stability and development, in reality they will not do so without a stable Afghan government and an ongoing insurgency.

Current and future aid must be adjusted to focus on what can most effectively impact security to prepare for the troop withdrawal and build the Afghan government's governance capacity at all levels. Afghan security forces are due to take over full security responsibility by 2014. In Uruzgan province, the transition process has already begun.

In May, 2012 the Australian defence forces took lead of Combined Team Uruzgan (CTU.) In that capacity, Australia is largely responsible for transitioning the ANA's 4th brigade to full Afghan control and security responsibility of the province; a process that is estimated to take 12-18 months. Australia's Mentoring Task Force and Special Operations Task Group are working with ISAF and the Afghan security forces to build and transition full security control to Afghan National forces within this short period of time.

Even though this is the clear priority, the Australian lead Afghan Reconstruction Teams have continued to solely fund infrastructure upgrades and carry out education and health care projects all in support of the transition.[xii] But transitioning to full Afghan control of security is not merely a matter of training security personnel but of building governance capacity and strengthening the rule of law, a clear role for Australia's development agencies.

What is needed now is a shoring up of the security services. Yet it is apparent that current AusAID development assistance projects do not directly support the goals articulated in AusAID's "*Australia's strategic approach to aid in Afghanistan 2010-12*" and the transitioning of security responsibility. Within this document, it describes the Prime Minister's view that Australia's role in Afghanistan as 1) 'to make sure that Afghanistan never again becomes a safe haven for terrorists and 2) to support Australia's alliance commitment to the United States.' It goes on to say that development and the building of the Afghan government's capacity to fulfill theses goals is fundamental to the coalition strategy in Afghanistan. Yet AusAID development project funding does not reflect this. In the same strategy document, AusAID's four pillars remain unchanged with – enhancing basic service delivery in health and education first.[xiii]

This does not make sense if security and governance capacity building are the top priorities for both the Australian government and the Afghan National Development Strategy (ANDS). Heath and education improvements will no doubt tangentially and in the long term enhance security and governance capacity but given the immediacy of the situation, AusAID funding must be reprioritized towards projects that will most directly impact Afghan governance capacity and rule of law in light of the international drawdown.

Australia has already contributed substantial funds to the transition effort, particularly the transition of the security forces. In 2009, Australia pledged $200 million dollars to the ANA Trust Fund and just recently announce in May 2012, that it will now contribute $100 million annually for three years after the international troop withdrawal to help sustain the Afghan Security Forces after 2014.

This is an important supportive step that directly relates to Australia's strategic approach to Afghanistan. But this must also be supported by a reorientation of AusAID funds. Though AusAID continues to resist providing funding for defence and other directly related security cooperation endevours, AusAID can and should take a look at more effectively funding local police and grass roots security efforts as well as public service training for officials at national departments and institutions that provide the basis for the rule of law like the Afghan defense and justice departments.

Without the prerequisites of increased governance capacity and security and the rule of law, all of the worthy current development gains in education and health made possible by Australian development assistance will be short lived and the vast amount of money spent on development assistance will be wasted.

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As an additional word of caution, it should be noted that even if current and additional development funding is redirected towards different priorities that most directly support building governance capacity and security, it is not entirely clear that development and reconstruction assistance will greatly contribute to security and stabilization in the counterinsurgency context.

A recent study by the Feinstein International Center at Tufts University evaluated foreign assistance to Afghanistan (with research conducted in Uruzgan province among others.) It examined how aid projects addressed the drivers of insecurity and whether they were effective. The researched showed that "rather than generating good will and positive perceptions, they were consistently described negatively by Afghans… perceptions of the misuse and abuse of aid resources were in many cases fueling the growing distrust of the government, creating enemies, or at least generating skepticism regarding the role of the government and aid agencies."[xiv]

There were two main takeaway of the Feinstein report relevant to Australian development assistance. Firstly, in areas that were highly insecure, aid assistance can become more destabilizing rather than stabilizing, with the most destabilizing aspect being the reality and/or perception of fueling corruption and generating additional conflict over aid distribution. In areas where there was a base level of governance capacity and security, assistance was far more effective. The research suggests that in areas of chronic insecurity, increased funding risks fueling corruption and resources competition, therefore *decreasing* security and governance capacity.[xv]

Secondly, the main drivers of insecurity were often political. The insurgency in Afghanistan is driven by the struggle over political power and resources, but international aid projects focus on socio economic rather than political drivers. This is clearly the case with AusAID projects as well, and as a result supports the idea that Australian development assistance does not address the main sources of conflict fueling insecurity. The root causes of insecurity in Afghanistan are not primarily and most effectively addressed through socio economic development assistance.

Lastly, Australia's continuing assistance to Afghanistan must be evaluated through Australia's broader interests in the region. According to a recent ASPI report, *Beyond Af-Pak, Australia's long-term interests in Pakistan,* Australia needs to delink its policies towards Afghanistan and Pakistan (even though our interests in both countries are 'interactive') and place a greater priority on Pakistan as central to Australia's long term interests in the region. The report's argument is that by prioritizing Afghanistan, Australian policy 'inverts the real hierarchy of our interests… framing Pakistan as merely the means by which to affect Afghanistan" even though it is Pakistan's stability that remains at the core of Australia's long term interests. The main strategic interest in Afghanistan is that it not revert to a vacuum to be filled with a proxy war or a harbor for terrorists groups.[xvi]

Therefore the distribution of current and future Australian assistance to Afghanistan must be conducted 1) to increase Afghan governance capacity, the rule of law and security especially in light of the draw downs scheduled in 2014 and the transition to Afghan security control, and 2) is more in line with Australia's strategic objectives in the region of which Afghanistan is only one part. Australian development assistance to both Afghanistan and Pakistan must reflect long term strategic interests, not just the goods of socio economic development that will be lost without an accountable, secure Afghan government.

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[i] Summary of Australia's Overseas Aid Program 2012-13, AusAID, available at: http://www.ausaid.gov.au/Publications/Pages/summary-budget-2012-13.aspx; Afghanistan Country Report, AusAID, available at: http://www.ausaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx

[ii] Ibid

[iii] "Smith defends defence spending levels- Interview Insiders with Barry Cassidy" Australian Broadcasting Corporation, 29 July 2012, available at: http://www.abc.net.au/insiders/content/2012/s3555870.htm

[iv] "Aid and Conflict in Afghanistan," Asia Report No 210, International Crisis Group, 4 August, 2011, available at: http://www.crisisgroup.org/en/regions/asia/south-asia/afghanistan/210-aid-and-conflict-in-afghanistan.aspx

[v] "Australia's strategic approach to aid in Afghanistan 2010-2012," AusAID, available at: http://www.ausaid.gov.au/Publications/Documents/101216%20Afghanistan%20Strategic%20Approach%202010%20FINAL.pdf

[vi] [vi] "Aid and Conflict in Afghanistan," Asia Report No 210, *International Crisis Group,* 4 August, 2011, available at: http://www.crisisgroup.org/en/regions/asia/south-asia/afghanistan/210-aid-and-conflict-in-afghanistan.aspx

[vii] "Vital aid assistance for Afghanistan," Prime Minister statement, 20 May 2012, available at: http://www.pm.gov.au/press-office/vital-aid-assistance-afghanistan

[viii] Perlez Jane, "$16 billion in civilian aid pledged to Afghanistan, with conditions," New York Times, 8 July 2012

[ix] Afghanistan Country Report, AusAID, available at: http://www.ausaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx

[x] Summary of Australia's Overseas Aid Program 2012-13, AusAID, available at: http://www.ausaid.gov.au/Publications/Pages/summary-budget-2012-13.aspx

[xi] Ibid

[xii] "Uruzgan province begins transition," Defence Minister Statement, 17 July, 2012, available at: http://www.minister.defence.gov.au/2012/07/17/minister-for-defence-uruzgan-province-begins-transition/

[xiii] "Australia's strategic approach to aid in Afghanistan 2010-2012," AusAID, available at: http://www.ausaid.gov.au/Publications/Documents/101216%20Afghanistan%20Strategic%20Approach%202010%20FINAL.pdf

[xiv] Fishstein Paul and Andrew Wilder, "Winning Hearts and Minds? Examining the relationship between aid and security in Afghanistan," Feinstein International Center Report, Tufts University, January 2012, available at: http://www.scribd.com/fullscreen/77125187?access_key=key-fvz776dj9tovfk1guv8

[xv] ibid

[xvi] Boswood, Kate, Jacob Townsend and Silal Shafqat, "Beyond Af-Pak: Australia's long term interests in Pakistan," Strategic Insights No 55, Australian Strategic Policy Institute, available at: http://www.aspi.org.au/publications/publication_details.aspx?ContentID=331